

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

[NO FEE REQUIRED]  
For the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

[NO FEE REQUIRED]  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-7416

VISHAY INTERTECHNOLOGY, INC.  
(Exact name of registrant as specified in its charter)

Delaware ----- (State or other jurisdiction incorporation or organization)	of	38-1686453 ----- (IRS employer identification no.)
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63 Lincoln Highway  
Malvern, Pennsylvania 19355-2143  
(Address of principal executive offices)

(610) 644-1300  
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(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:  
Common Stock, \$0.10 par value  
(Title of Class)

New York Stock Exchange  
(Exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to  
such filing requirements for the past 90 days. Yes  No   
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Indicate by check mark if disclosure of delinquent filers pursuant to  
Item 405 of Regulation S-K is not contained herein, and will not be  
contained, to the best of registrant's knowledge, in definitive proxy or  
information statements incorporated by reference in Part III of this Form  
10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as  
defined Exchange Act Rule 12b-2).

Yes  No   
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The aggregate market value of the voting stock held by non-affiliates  
computed by reference to the price at which the common equity was last sold as  
of the last business day of the registrant's most recently completed second  
fiscal quarter, assuming conversion of all of its Class B common stock held by  
non-affiliates into common stock of the registrant, was \$1,909,596,000. There is  
no non-voting stock outstanding.

As of March 9, 2004, registrant had 145,539,733 shares of its common stock  
and 14,979,440 shares of its Class B common stock outstanding.

Portions of the registrant's definitive proxy statement, which will be  
filed within 120 days of December 31, 2003, are incorporated by reference into  
Part III.

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PART I

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Item 1. DESCRIPTION OF BUSINESS

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General

Vishay Intertechnology, Inc. is a leading international manufacturer and supplier of passive and discrete active electronic components. Passive components include resistors, capacitors, transducers and inductors. Active components include diodes, transistors, rectifiers, power integrated circuits (ICs), infrared transceivers, infrared (IR) sensors and optocouplers. Passive electronic components and discrete active electronic components are the primary elements of almost every electronic circuit. We offer our customers "one-stop" access to one of the most comprehensive electronic component lines of any manufacturer in the United States, Europe and Asia in both the newer surface mount configuration and the traditional leaded form.

Our components are used in virtually every type of product that contains electronic circuitry, including:

- o computer-related products,
- o power management products,
- o telecommunications equipment,
- o measuring instruments,
- o industrial equipment,
- o automotive applications,
- o process control systems,
- o military and aerospace applications,
- o consumer electronics and appliances,
- o medical instruments, and
- o electronic scales.

Since 1985, we have pursued a business strategy that principally consists of the following elements:

1. expanding within the electronic components industry, primarily through the acquisition of other manufacturers of electronic components that have established positions in major markets, reputations for product quality and reliability, and product lines with which we have substantial marketing and technical expertise;

2. reducing selling, general and administrative expenses through the integration or elimination of redundant sales offices and administrative functions at acquired companies;

3. achieving significant production cost savings through the transfer and expansion of manufacturing operations to regions such as the Czech Republic, Hungary, India, Israel, Malaysia, Mexico, the People's Republic of China, the Philippines, Portugal and the Republic of China (Taiwan), where we can take advantage of lower labor costs and available tax and other government-sponsored incentives;

4. maintaining significant production facilities in those regions where we market the bulk of our products in order to enhance the service and responsiveness that we provide to our customers;

5. consistently rolling out new and innovative products; and

6. strengthening our relationships with customers and strategic partners.

As a result of this strategy, we have grown from a small manufacturer of precision resistors and resistance strain gages to one of the world's largest manufacturers and suppliers of a broad line of electronic components.

Our significant acquisitions in the last several years include:

Siliconix and Telefunken. We acquired an 80.4% interest in Siliconix incorporated (NASDAQ: SIII) in March 1998 from Daimler-Benz A.G. Siliconix is a publicly traded chip maker, based in Santa Clara, California, which designs, markets and manufactures power and analog semiconductor products, such as metal-oxide-semiconductor field-effect transistors (MOSFETs), junction field-effect transistors (JFETs), bipolar switches, signal processing ICs and power ICs for computers, cell phones, fixed communications networks, automobiles and other electronic systems. Siliconix has manufacturing facilities in Santa Clara, California, maintains assembly and testing facilities in the Republic of China (Taiwan), is party to a joint venture in Shanghai, the People's Republic of China and has subcontractors in the Philippines, the People's Republic of China, Israel, and the United States. Siliconix reported worldwide sales of \$392.1 million in 2003, \$372.9 million in 2002, and \$305.6 million in 2001.

In the same transaction, we acquired from Daimler-Benz the semiconductor business unit of TEMIC Telefunken Microelectronic GmbH headquartered in Heilbronn, Germany, but promptly disposed of its integrated circuits division. Telefunken launched our expansion into discrete active components with a product line of diodes, RF transistors, optoelectronic semiconductors, infrared data transceivers (IRDCs) and light-emitting diodes (LEDs). Our net cost of these two acquisitions was approximately \$444 million.

Electro-Films, Cera-Mite and Spectrol. In May 2000, we acquired Electro-Films, Inc., a manufacturer of thin film components and networks on ceramic and silicon. In August 2000, we acquired Cera-Mite Corporation, a worldwide supplier of ceramic capacitors, used in power supplies, electronic lighting and other applications, and thermistors (temperature-sensitive resistors) used in refrigeration, HVAC, telecommunications and other electronic applications. Separately, in August 2000, we acquired Spectrol, a manufacturer of sensing potentiometers used primarily in the automotive industry and trimmer potentiometers used in various kinds of electronic circuitry.

Tansitor and Mallory. In January 2001, we acquired Tansitor, a leading manufacturer of wet tantalum electrolytic capacitors and miniature conformal coated solid tantalum capacitors. These components have power management applications in the military, aerospace and medical industries. Later, in November 2001, we acquired Yosemite Investment, Inc. d/b/a the North American Capacitor Company, known as Mallory, a manufacturer and distributor of wet tantalum capacitors and other products. As a result of these two acquisitions, we have become the number one manufacturer of wet tantalum capacitors worldwide.

Infineon. In July 2001, we acquired the infrared components business of Infineon A.G. for approximately \$116 million. As a result, we added several new device types to our optoelectronics portfolio. We also became the largest supplier outside Japan of optocouplers and the largest supplier worldwide of IRDCs.

General Semiconductor. On November 2, 2001, we completed the acquisition of General Semiconductor, Inc., a leader in the design, manufacture and distribution of semiconductors for the power management market. In the transaction, we exchanged 0.563 of a share of Vishay common stock for each share of General Semiconductor stock. Based on the closing price of our common stock on November 2, 2001, the transaction was valued at approximately \$555 million. General Semiconductor manufactures and distributes a broad range of power management products, including rectifiers, transient voltage suppressors, small-signal transistors, diodes, MOSFETs and analog ICs. As a result of this acquisition, we became the number one manufacturer of diodes and rectifiers worldwide.

Sensortronics, Tedea-Huntleigh, BLH and Nobel, and Celtron. In January 2002, we acquired the transducer and strain gage business of Sensortronics, Inc. In June 2002, we acquired Tedea-Huntleigh BV, a leading manufacturer of load cells used in digital scales by the weighing industry. In July 2002, we purchased the BLH and Nobel businesses from Thermo Electron Corporation. BLH and Nobel are engaged in the production and sale of load cell based process weighing systems, weighing and batching instruments, web tension instruments, weighing scales, servo control systems, and components relating to load cells, including strain gages, foil gages and transducers. In October 2002, we acquired Celtron Technologies, another company engaged in the production and sale of load cells used in digital scales for the weighing industry. As a result of these acquisitions, the product portfolio of our Measurements Group has been expanded and we are now a world leader in stress analysis products and transducers used in the weighing industry (load cells).

BCcomponents. In December 2002, we completed the acquisition of BCcomponents Holdings B.V., a leading manufacturer of passive components with operations in Europe, India and the People's Republic of China. The product lines of BCcomponents include linear and non-linear resistors; ceramic, film and aluminum electrolytic capacitors; switches; and trimming potentiometers. We acquired the outstanding shares of BCcomponents in exchange for ten-year warrants to acquire 7,000,000 shares of Vishay common stock at an exercise price of \$20.00 per share and ten-year warrants to acquire 1,823,529 shares of Vishay common stock at an exercise price of \$30.30 per share. In the transaction, we paid or assumed outstanding obligations of BCcomponents, including indebtedness, transaction fees and expenses in the amount of approximately \$224 million. Also, we exchanged \$105 million in principal amount of BCcomponents' mezzanine indebtedness and certain other securities of BCcomponents for \$105 million principal amount of floating rate unsecured loan notes of Vishay due 2102. This major acquisition has significantly enhanced our global market position in passive components.

In addition to our acquisition activity in recent years, we have taken steps to assure our competitiveness, enhance our operating efficiency and strengthen our liquidity in the face of the economic downturn, which broadly impacted the electronics industry in recent years. In this regard, we:

- (i) closed or consolidated several manufacturing facilities and administrative offices;
- (ii) reduced our headcount, particularly in high labor cost countries;
- (iii) integrated our acquisitions within our existing management and operational infrastructure; and
- (iv) relying on the strength of our balance sheet, continued our search for suitable acquisition candidates.

Vishay also intends to explore opportunities for investments of non-controlling interests in privately held developers or manufacturers of electronic components, where Vishay believes that it can forge strategic alliances with such companies.

Vishay was incorporated in Delaware in 1962 and maintains its principal executive offices at 63 Lincoln Highway, Malvern, Pennsylvania 19355-2143. Our telephone number is (610) 644-1300.

#### Products

We design, manufacture and market electronic components that cover a wide range of products and technologies. Our products primarily consist of:

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| <ul style="list-style-type: none"> <li>o resistors,</li> <li>o tantalum capacitors,</li> <li>o multi-layer and disc ceramic capacitors (MLCCs),</li> <li>o aluminum and specialty ceramic capacitors,</li> <li>o film capacitors,</li> <li>o power MOSFETs,</li> <li>o power ICs,</li> </ul> | <ul style="list-style-type: none"> <li>o signal processing ICs,</li> <li>o transistors,</li> <li>o voltage suppressors,</li> <li>o infrared data transceivers (IRDCs),</li> <li>o optocouplers,</li> <li>o IR sensors,</li> <li>o strain gages and load cells, and</li> <li>o diodes and rectifiers</li> </ul> |
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and, to a lesser extent:

- o inductors,
- o connectors,
- o transformers,
- o plasma displays,
- o thermistors, and
- o potentiometers.

We manufacture one of the broadest lines of surface mount devices, a format for electronic components that has evolved into the standard required by most customers. In addition, we continue to produce components in the traditional leaded form. We believe that we produce one of the broadest lines of discrete electronic components available from any single manufacturer.

#### Passive Components

Passive components include resistors, capacitors and inductors. They are referred to as "passive" because they do not require power to operate. These components adjust and regulate voltage and current, store energy and filter frequencies. We also include in this category the products and services of our Measurements Group that employ passive components in electro-mechanical measurements.

Resistors are basic components used in all forms of electronic circuitry to adjust and regulate levels of voltage and current. They vary widely in precision and cost, and are manufactured from numerous materials and in many forms. Linear resistive components are classified as variable or fixed, depending on whether or not their resistance is adjustable. Non-linear resistors can also be used as measuring devices. We manufacture a line of thermistors, which are heat sensitive resistors. Other types of resistive sensors are strain gages for measurement of mechanical stress. See "Measurements Group" below.

We manufacture virtually all types of fixed resistors, both in discrete and network forms, as well as many variable types. These resistors are produced for virtually every segment of the resistive product market, from resistors used in the highest quality precision instruments for which the performance of the resistor is the most important requirement, to low-cost resistors for which price is the most important factor.

Capacitors perform energy storage, frequency control, discharge, coupling, timing and filtering functions. The more important applications for capacitors are:

- o electronic filtering for linear and switching power supplies;
- o decoupling and bypass of electronic signals for integrated circuits and circuit boards; and
- o frequency control, timing and conditioning of electronic signals for a broad range of applications.

Our capacitor products include solid tantalum surface mount chip capacitors, solid tantalum leaded capacitors, wet/foil tantalum capacitors, MLCC capacitors, disc ceramic capacitors, aluminum and specialty ceramic capacitors, and film capacitors. Each capacitor product has unique physical and electrical performance characteristics that make that type of capacitor useful for specific applications. Tantalum and MLCC capacitors are generally used in conjunction with integrated circuits in applications requiring low to medium capacitance values, "capacitance" being the measure of the capacitor's ability to store energy. The tantalum capacitor is the smallest type of capacitor for its range of capacitance. MLCC capacitors, on the other hand, are more cost-effective for applications requiring lower capacitance. Disc ceramic capacitors are used for high voltage applications. Aluminum capacitors are used for high capacitance applications. Film capacitors are for general use in telecommunications, automotive, consumer and industrial products. They are the most stable capacitors.

Inductors use an internal magnetic field to change the phase of electric current. They are utilized in electronic circuitry to control alternating current and voltage, and to filter out unwanted electronic signals. They are also used in transformers to change voltage levels.

## Measurements Group

Vishay Measurements Group is a leading manufacturer of products for precision measurement of mechanical strains. Our products include strain gages, load cells, force measurement sensors, displacement sensors, and photoelastic sensors. These products are used in experimental stress analysis systems, as well as in the electronic measurement of loads (electronic scales), acceleration and fluid pressure. The Measurements Group also provides installation accessories for its products, instrumentation to sample and record measurement output, and training seminars in stress analysis testing and transducer development and manufacture.

As a result of Vishay's acquisitions in 2002, the Measurements Group has implemented a strategy of vertical market integration, with a product range from resistance strain gages, to transducers (the metallic structures to which strain gages are cemented), to the electronic instruments and systems that measure and control output of the transducers. Vishay Measurements Group now has two operating divisions: Vishay Micro-Measurements (for strain gages, instruments and PhotoStress products) and Vishay Transducers (for load cells, weigh modules, instruments and weighing systems).

## Active Components

Our active electronic components include both discrete devices and integrated circuits (ICs). They are referred to as "active" because they require power to function. Discrete devices are single components or an arrangement of components that generate, control, regulate and amplify or switch electronic signals or energy. Examples of our discrete active components include diodes, rectifiers, transient voltage suppressors, transistors and power MOSFETs. These devices are interconnected with passive components or other active components to create an electronic circuit. Our IC devices consist of a number of active and passive components interconnected on a single chip to perform a specific function. Examples of our integrated circuits include power ICs, motor control ICs and signal processing ICs. Our discrete active components and ICs are manufactured and marketed primarily through our majority owned Siliconix subsidiary, our Telefunken unit and the General Semiconductor business.

We also include in the category of active components our line of optoelectronic components, manufactured and marketed by our Telefunken unit, and the infrared components business acquired from Infineon A.G.

## Discrete Devices

Diodes and rectifiers are used to convert electrical currents from alternating current (AC) into direct current (DC) by conducting electricity in one direction and blocking it in the reverse direction. Because electrical outlets carry AC while the vast majority of electronic devices use DC, rectifiers are used in a wide variety of applications. We offer a broad line of diodes and rectifiers with differing power, speed, cost, packaging and conversion (half wave or full wave) characteristics. Our rectifiers include a series of high voltage devices that have been optimized for power correction circuits.

Transient voltage suppressors protect electronic circuits by limiting voltage to a safe level. Examples of transient events that could damage unprotected circuits include static electricity charges and natural or induced lightning. Voltage suppressors protect circuits by absorbing large amounts of energy for short periods of time. We offer a broad range of state-of-the-art transient voltage suppressors for use in most modern electronic equipment.

Small signal diodes and transistors perform amplification, signal blocking, routing and switching functions at lower current levels. Our small-signal transistors range from the older junction field-effect transistors (JFETs), to newer products such as those based upon double-diffused metal oxide semiconductor (DMOS) technology.

Discrete power MOSFETs are specialized field-effect transistors used to switch and manage power in a broad range of electronic devices. These include particularly low-voltage applications such as cell phones, portable and desktop computers, automobiles, instrumentation and industrial applications. Our innovative "trench" power MOSFET technology offers very high cell density, very low on-resistance and optimized switching parameters for high frequency DC-DC power conversion. Power MOSFETs conserve power and help prevent components from over-heating.

## Integrated Circuits

Power ICs are used in applications such as cell phones, where an input voltage from a battery or other supply source must be switched, interfaced or converted to a level that is compatible with logic signals used by microprocessors and other digital components. Our ICs are designed to operate at higher frequencies without compromising efficiencies. Often our power MOSFETs and power ICs can be used together as chip sets with complementary performance characteristics optimized for a specific application.

Motor control ICs control the starting, speed or position of electric motors, such as the head positioning and spindle motors in hard disk drives.

Signal processing ICs are used for analog switching and multiplexing in devices that either receive or output analog (non-digital) signals. A recent application of this technology is in broadband communications devices such as DSL modems.

## Optoelectronics

Our line of optoelectronic components includes light emitting diodes (LEDs), infrared emitters (IREDS) and photo detectors, infrared receiver modules, optocouplers, solid-state relays (SSRs), optical sensors, and infrared transceivers (IRDCs).

Our photo detectors are light-sensitive semiconductor devices, and include linear photo diodes for light measurement, photo-transistors for light switching applications in printers, copiers, facsimile machines, vending machines and automobiles, and high speed photo PIN diodes specially designed for infrared data transfer. Our photo detector products are available in a wide variety of sensitivity angles, light sensitivities, daylight filters and packaging shapes. Our infrared emitters are used for optical switching and data transfer applications, often in conjunction with our photo detectors, and in devices like infrared remote controls for televisions.

An optocoupler consists of an infrared emitting diode and a receiver facing each other through an insulation medium inside a light-isolated housing. The receiver may either be a photodetector or a pair of MOSFETs, and in the latter case the device is referred to as a solid-state relay (SSR). The function of an optocoupler is to electrically isolate input and output signals. Our optocouplers are used in switch mode power supplies, safety circuitry and programmable controllers for computer monitors, consumer electronics, telecommunications equipment and industrial systems.

IRDCs consist of a detector photo diode, an infrared light emitting diode and a control IC. IRDCs are used for short range, two-way wireless, infrared data transfer between electronic devices such as mobile phones and other telecommunications equipment, computers and personal digital assistants (PDAs). LEDs are light emitting diodes used as light indicators in a variety of industries.

## Packaging

We have taken advantage of the growth of the surface mount component market, and we are an industry leader in designing and marketing surface mount devices. Surface mount devices adhere to the surface of a circuit board rather than being secured by leads that pass through holes to the back side of the board. Surface mounting provides distinct advantages over through-hole mounting. For example, surface mounting allows the placement of more components on the surface of a circuit board, and also allows placement on both sides of the board. This is particularly desirable in applications such as hand held computers and cell phones where there is a continuing design trend towards product miniaturization. Surface mounting also facilitates automated product assembly, resulting in lower production costs for equipment manufacturers than those associated with leaded or through-hole mounted devices.



We believe that we are a market leader in the development and production of a wide range of surface mount devices, including:

- o thick film chip resistors,
- o thick film resistor networks and arrays,
- o metal film leadless resistors (MELFs),
- o molded tantalum chip capacitors,
- o coated tantalum chip capacitors,
- o multi-layer ceramic chip capacitors,
- o thin film chip resistors,
- o thin film networks,
- o certain diodes and transistor products,
- o power MOSFETs,
- o wirewound chip resistors,
- o power strip resistors,
- o bulk metal foil chip resistors,
- o current sensing chips,
- o chip inductors,
- o chip transformers,
- o chip trimmers,
- o NTC chip thermistors,
- o PTC chip thermistors, and
- o strain gages.

We also provide a number of component packaging styles to facilitate automated product assembly by our customers.

#### Military Qualifications

We have qualified certain products under various military specifications, approved and monitored by the United States Defense Electronic Supply Center (DESC), and under certain European military specifications. DESC qualification levels are based in part upon the rate of failure of products. In order to maintain the classification level of a product, we must continuously perform tests on the product and the results of these tests must be reported to DESC. If the product fails to meet the requirements for the applicable classification level, the product's classification may be reduced to a lower level. Products from some of our United States manufacturing facilities experience a reduction in product classification levels from time to time. During the time that the DESC classification level is reduced for a product with military application, net sales and earnings attributable to that product may be adversely affected.

#### Customers

We sell our products primarily to original equipment manufacturers (OEMs), electronic manufacturing services (EMS) companies, which manufacture for OEMs on an outsourcing basis, and independent distributors that maintain large inventories of electronic components for resale to OEMs.

To better serve our customers, we maintain production facilities in regions where we market the bulk of our products, principally in the United States, Israel, Mexico, Germany, France, the United Kingdom, Austria, Hungary, and the Czech Republic. In Asia, we have facilities in the People's Republic of China, Taiwan, Malaysia, and the Philippines. We work with our customers so that our products are incorporated into the design of electronic equipment at the research and prototype stages. We also employ a staff of application and field engineers to assist our customers, independent manufacturers' representatives and distributors in solving technical problems and developing products to meet specific needs.

Our top 30 customers are quite stable despite not having long-term commitments to purchase our products. With selected customers, we have signed two to three year contracts for specific products.

During 2003, approximately 26% of our net sales were attributable to customers in the Americas, approximately 38% were attributable to customers in Europe, and approximately 36% were attributable to customers in Asia.

## Marketing

Our products are marketed through independent manufacturers' representatives compensated solely on a commission basis, by our own sales personnel and by independent distributors. We have regional sales personnel in several North American locations that make sales directly to OEMs and provide technical and sales support for independent manufacturers' representatives throughout the United States, Mexico and Canada. As noted, we also use independent distributors to resell our products. Outside North America, we use similar channels to sell our products worldwide.

## Research and Development

Many of our products and manufacturing techniques, technologies and packaging methods have been invented, designed and developed by our engineers and scientists. We maintain strategically placed design centers where proximity to customers enables us to more easily gauge and satisfy the needs of local markets. These design centers are located predominantly in the United States, France, Germany, Israel, the People's Republic of China, the Republic of China (Taiwan) and South Korea.

We also maintain research and development staffs and promote programs at a number of our production facilities to develop new products and new applications of existing products, and to improve manufacturing techniques. This decentralized system encourages individual product development at individual manufacturing facilities that occasionally have applications at other facilities. Our research and development costs (exclusive of purchased in-process research and development) were approximately \$45.4 million for 2003, \$37.1 million for 2002, and \$30.2 million for 2001. These amounts include expenditures of our Siliconix subsidiary of \$19.5 million, \$19.3 million, and \$17.2 million in 2003, 2002, and 2001, respectively, principally for the development of new power products and power ICs. These amounts do not include substantial expenditures for the development and manufacturing of machinery and equipment for new processes and for cost reduction measures.

Although we have numerous United States and foreign patents covering certain of our products and manufacturing processes, no particular patent is considered material to our business.

## Sources of Supplies

Although most materials incorporated in our products are available from a number of sources, certain materials, particularly tantalum and palladium, are available only from a relatively limited number of suppliers.

### Tantalum

We are a major consumer of the world's annual production of tantalum. Tantalum, a metal purchased in powder or wire form, is the principal material used in the manufacture of tantalum capacitors. There are currently three major suppliers that process tantalum ore into capacitor grade tantalum powder. Due to the strong demand for our tantalum capacitors and difficulty in obtaining sufficient quantities of tantalum powder from our suppliers, we stockpiled tantalum ore in 2000 and early 2001. From 2001 to 2003, we and our competitors experienced a significant decline in the tantalum capacitor business as well as significant decreases in the market prices for tantalum. As a result, we recorded in costs of products sold write-downs of \$25.7 million and \$52.0 million, respectively, on tantalum inventories during the years ended December 31, 2002 and 2001. We also recorded a loss on future purchase commitments of \$106.0 million for the year ended December 31, 2002. In 2003, prices of tantalum continued to decline. As a result, we recorded write-downs of \$5.4 million to reduce our tantalum inventories to current market value in 2003. We also recorded a loss on future purchase commitments of \$11.4 million in 2003. Our purchase commitments were entered into at a time when market demand for tantalum capacitors was high and tantalum powder was in short supply. If the downward pricing trend were to continue, we could again be required to write down the carrying value of its tantalum inventory and record additional losses on its long-term purchase commitments.

We have two agreements with Cabot Corporation for the supply of tantalum powder, a July 2000 agreement and a November 2000 agreement. Our purchase commitments with Cabot were entered into at a time when market demand for tantalum capacitors was high and tantalum powder was in short supply. With the decline in market demand and prices for tantalum, we began the process of negotiating modifications to the agreements with Cabot during 2001. Our major competitors in the tantalum capacitor business were also seeking modifications to their contracts with Cabot. In June 2002, following the prior initiation of legal proceedings by Cabot, we and Cabot agreed to make certain modifications to the supply agreements. These included price reductions, the extension of the term of one of the contracts, and the regular scheduling of our purchase commitments.

#### Palladium

Palladium, a metal used to produce multi-layer ceramic capacitors, is currently found primarily in South Africa and Russia. Palladium is a commodity product that is subject to price volatility. The price of palladium fluctuated in the range of approximately \$148 to \$1,090 per troy ounce during the three years ended December 31, 2003, and as of December 31, 2003, the price of palladium was approximately \$195 per troy ounce. During the years ended December 31, 2003, 2002 and 2001, we recorded in costs of products sold write-downs on palladium inventories of \$1.6 million, \$1.7 million and \$18.0 million, respectively.

#### Inventory and Backlog

We manufacture both standardized products and those designed and produced to meet customer specifications. We maintain an inventory of resistors and other standardized components. Backlogs of outstanding orders for our products were \$532.0 million, \$407.6 million, and \$337.9 million, respectively, at December 31, 2003, 2002, and 2001. The backlog at December 31, 2003 and 2002 includes \$58.9 million and \$49.8 million, respectively, of backlog attributable to the business of BComponents, which was acquired in December 2002. The increase in our backlog at December 31, 2003 compared to December 31, 2002 is indicative of improving market conditions.

Many of the orders that comprise our backlog may be canceled by customers without penalty. Customers may on occasion double and triple order components from multiple sources to ensure timely delivery when backlog is particularly long. Customers often cancel orders when business is weak and inventories are excessive, a situation that we experienced in the recent economic slowdown. Therefore, the amount of our backlog may exceed the level of orders that will ultimately be delivered. Our results of operations could be adversely impacted if customers cancel a material portion of orders in our backlog.

#### Competition

We face strong competition in various product lines from both domestic and foreign manufacturers that produce products using technologies similar to ours. Our main competitors for tantalum capacitors are KEMET Corporation, AVX Corporation and NEC Electronics, Inc. For MLCC capacitors, our principal competitors are KEMET, AVX, Murata and TDK Corp. For thick film chip resistors, our major competitors include Rohm Corp., Koa Speer Electronics Inc. and Yageo Corporation. For wirewound and metal film resistors, the principal competitors are I.R.C. Inc., Rohm Corp. and Ohmite Manufacturing Company. For active components, our main competitors include International Rectifier, Philips, N.V., ON Semiconductor, Rohm Corp., Motorola, Inc., Fairchild Semiconductor Corp., Maxim, Shindengen Electric Manufacturing Co. Ltd., Sanken Electric Co. Ltd., STMicroelectronics N.V. and Samsung Co., Ltd. There are many other companies that produce products in the markets in which we compete.

Our competitive position depends on our product quality, know-how, proprietary data, marketing and service capabilities and business reputation, as well as on price. We compete for sales of certain products on the basis of our marketing and distribution network, which provides a high level of customer service. For example, we work closely with our customers to have our components incorporated into their electronic equipment at the early stages of design and production and maintain redundant production sites for some of our products to ensure an uninterrupted supply of products. We have also established a National Accounts Management Program, which provides our largest customers with one national account executive who can cut across business unit lines for sales, marketing and contract coordination. In addition, the breadth of our product offerings enables us to strengthen our market position by providing customers with "one-stop" access to one of the broadest selections of passive electronic components available directly from a manufacturing source.

#### Manufacturing Operations

We strive to balance the location of our manufacturing facilities. In order to better serve our customers, we maintain some of our production facilities in regions where we market the bulk of our products, such as the United States, Germany, France, the United Kingdom, and more recently, Asia. To maximize production efficiencies, we seek whenever practicable to establish manufacturing facilities in countries, such as the Czech Republic, Hungary, India, Israel, Malaysia, Mexico, the People's Republic of China, the Philippines, Portugal, and the Republic of China (Taiwan), where we can take advantage of lower labor and tax costs and, in the case of Israel, to take advantage of various government incentives, including grants and tax relief.

Some of our most sophisticated manufacturing operations are the production of power semiconductor components. This manufacturing process involves two phases of production: wafer fabrication and assembly (or packaging). Wafer fabrication subjects silicon wafers to various thermal, metallurgical and chemical process steps that change their electrical and physical properties. These process steps define cells or circuits within numerous individual devices (termed "dies" or "chips") on each wafer. Assembly is the sequence of production steps that divides the wafer into individual chips and encloses the chips in structures (termed "packages") that make them usable in a circuit. Both wafer fabrication and assembly phases incorporate wafer level and device level electrical testing to ensure that device design integrity has been achieved.

At December 31, 2003, approximately 21% of our fixed assets were located in the United States, approximately 30% were located in Europe, approximately 26% were located in Israel, and approximately 30% were located in Asia. In the United States, our manufacturing facilities are located in California, Connecticut, Indiana, Maine, Maryland, New York, Nebraska, North Carolina, Pennsylvania, Rhode Island, South Dakota, Vermont, and Wisconsin. In Europe, our main manufacturing facilities are located in Germany, France, Hungary, and the Czech Republic, with other facilities in Austria, Belgium, Portugal and the Netherlands. We also have manufacturing facilities in India, Israel, Malaysia, Mexico, the People's Republic of China, the Philippines and the Republic of China (Taiwan). Over the past several years, we have invested substantial resources to increase capacity and to maximize automation in our plants, which we believe will further reduce production costs.

We are aggressively undertaking to have the quality systems at most of our major manufacturing facilities approved under the ISO 9001 international quality control standard. ISO 9001 is a comprehensive set of quality program standards developed by the International Standards Organization. A majority of our manufacturing operations have already received ISO 9001 approval and others are actively pursuing such approval.

In 2003, we continued the implementation of our strategy to shift manufacturing emphasis to higher automation in higher labor cost regions and to relocate a fair amount of production to regions with skilled workforces and relatively lower labor costs. As a result, we incurred restructuring costs in the year ended December 31, 2003 associated with the downsizing of manufacturing facilities in Europe and the United States. We may continue to incur such expenses in 2004.

See Note 16 to our consolidated financial statements, "Business Segment and Geographic Area Data," for financial information by geographic area.

## Israeli Government Incentives

We have substantial manufacturing operations in Israel, where we benefit from the government's employment and tax incentive programs designed to increase employment, lower wage rates and increase our ability to attract a highly-skilled labor force, all of which have contributed substantially to our growth and profitability. For the year ended December 31, 2003, sales of products manufactured in Israel accounted for approximately 17% of our net sales.

Under the terms of the Israeli government's incentive programs, once a project is approved, the recipient is eligible to receive the benefits of the related grants for the life of the project, so long as the recipient continues to meet preset eligibility standards. None of our approved projects has ever been cancelled or modified, and we have already received approval for a majority of the projects contemplated by our capital expenditure program. However, as a result of the recent economic downturn, we were forced to lay off a significant number of employees in Israel in 2001. In 2002, the Israeli government initially withheld certain grant monies claiming that we had not maintained employment at the required minimum levels; however, we were able to settle our dispute in the fourth quarter and the government agreed to continue making grant payments to us. While the number of employees continues to satisfy the eligibility requirements for our Israeli government grants, economic circumstances could compel future additional layoffs. Also, over the past few years, the Israeli government has scaled back or discontinued some of its incentive programs. There can be no assurance that we will maintain our eligibility for existing projects or that in the future the Israeli government will continue to offer new incentive programs applicable to us or that, if it does, such programs will provide the same level of benefits we have historically received or that we will continue to be eligible to take advantage of them. Because we have received approvals for most projects currently contemplated, we do not anticipate that cutbacks in the incentive programs for new projects would have an adverse impact on our earnings and operations for at least several years.

We might be materially adversely affected if events were to occur in the Middle East that interfered with our operations in Israel. However, we have never experienced any material interruption in our Israeli operations in our 33 years of operations there, in spite of several Middle East crises, including wars.

## Environment, Health and Safety

We have adopted an Environmental Health and Safety Corporate Policy that commits us to achieve and maintain compliance with applicable environmental laws, to promote proper management of hazardous materials for the safety of our employees and the protection of the environment, and to minimize the hazardous materials generated in the course of our operations. This policy is implemented with accountability directly to the Chairman of the Board of Directors. In addition, our manufacturing operations are subject to various federal, state and local laws restricting discharge of materials into the environment.

We are not involved in any pending or threatened proceedings that would require curtailment of our operations. We continually expend funds to ensure that our facilities comply with applicable environmental regulations. In regard to all of our facilities, we have completed our undertaking to comply with environmental regulations relating to the elimination of chlorofluorocarbons (CFCs) and ozone depleting substances (ODS) pursuant to the Clean Air Act amendments of 1990. We have completely eliminated the use of CFCs and ODS in our manufacturing processes, and all facilities are currently in compliance with the Clean Air Act.

While we believe that we are in material compliance with applicable environmental laws, we cannot accurately predict future developments and do not necessarily have knowledge of past occurrences on sites that we currently occupy. More stringent environmental regulations may be enacted in the future, and we cannot determine the modifications, if any, in our operations that any such future regulations might require, or the cost of compliance with such regulations. Moreover, the risk of environmental liability and remediation costs is inherent in the nature of our business and, therefore, there can be no assurance that material environmental costs, including remediation costs, will not arise in the future.

We have been named a Potentially Responsible Party (PRP) at nine Superfund sites, including two Siliconix facilities, and have become responsible for certain obligations as a PRP in connection with our acquisition of General Semiconductor. We expend minimal amounts in connection with several of these sites and do not expect costs associated with the others to be material.

General Semiconductor has also been named as a defendant in three actions in the United States District Court for the Eastern District of New York in connection with its former operations at a facility in Hicksville, New York. The plaintiffs in these actions allege that they have suffered personal injury and property damage as a result of the facility's operations. Although we will vigorously defend these actions, we do not currently possess sufficient information to estimate reasonably the amount of or timing of liabilities that may be associated with these litigations. It is our policy to record appropriate liabilities for environmental matters when damage claim payments are probable and the costs can be reasonably estimated.

The ultimate cost of site cleanup is difficult to predict given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations and alternative cleanup methods. Based upon our experience with the foregoing environmental matters, we have concluded that there is at least a reasonable possibility that we will incur remedial costs in the range of \$30 million to \$35 million. As of December 31, 2003, we concluded that the best estimate within this range is \$32.7 million, of which \$23.5 million is included in other non-current liabilities on the consolidated balance sheet, and \$9.2 million is included in accrued expenses on the consolidated balance sheet. Of this reserve, approximately \$18.7 million is due to the acquisition of General Semiconductor, but not including any liability that we may incur in connection with the litigation relating to the Hicksville, New York facility described above; approximately \$8.4 million is due to the acquisition of BComponents; and approximately \$5.6 million is reserved for other miscellaneous environmental liabilities, primarily at our Vitramon subsidiary in the United States. In view of our financial position and provisions for environmental matters of \$32.7 million, we have concluded that any potential payment of such estimated amounts will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

With each acquisition, we attempt to identify potential environmental concerns and to minimize, or obtain indemnification for, the environmental matters we may be required to address. In addition, we establish reserves for specifically identified potential environmental liabilities. We believe that the reserves we have established are adequate. Nevertheless, we often unavoidably inherit certain pre-existing environmental liabilities, generally based on successor liability doctrines. Although we have never been involved in any environmental matter that has had a material adverse impact on our overall operations, there can be no assurance that in connection with any past or future acquisition we will not be obligated to address environmental matters that could have a material adverse impact on our operations.

#### Employees

As of December 31, 2003, we employed approximately 25,200 full time employees, of whom approximately 21,850 were located outside the United States. Some of our employees outside the United States are members of trade unions and employees at one small U.S. facility are represented by a union. Our relationship with our employees is good. However, no assurance can be given that, if we continue to restructure our operations in response to changing economic conditions, labor unrest or strikes, especially at European facilities, will not occur.

## Company Information and Website

We file annual, quarterly, and current reports, proxy statements, and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (the Exchange Act). The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at <http://www.sec.gov>.

In addition, our company website can be found on the Internet at [www.vishay.com](http://www.vishay.com). The website contains information about us and our operations. Copies of each of our filings with the SEC on Form 10-K, Form 10-Q and Form 8-K, and all amendments to those reports, can be viewed and downloaded free of charge as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC. To view the reports, access [www.vishay.com](http://www.vishay.com), click on Company Info, then Investor Relations and then SEC Filings.

The following corporate governance related documents are also available on our website:

- o Corporate Governance Principles
- o Code of Business Conduct and Ethics
- o Code of Ethics Applicable to the Company's Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer or Controller and Financial Managers
- o Audit Committee Charter
- o Nominating and Corporate Governance Committee Charter
- o Compensation Committee Charter.

To review these documents, go to our website, click on Company Info, then Investor Relations and then Corporate Governance.

Any of the above documents can also be obtained in print by any shareholder who requests them from our Investor Relations Department at the following address:

Corporate Investor Relations  
Vishay Intertechnology, Inc.  
63 Lincoln Highway  
Malvern, PA 19355-2143

Item 2. PROPERTIES

As of December 31, 2003, we maintained approximately 77 manufacturing facilities. The principal locations of such facilities, along with available space including administrative offices, are:

Owned Locations -----	Approx. Available Space (Square Feet) -----
United States -----	
Columbus and Norfolk, NE*	298,000
Sanford, ME	225,000
Santa Clara, CA	220,000
Grafton and Oconto, WI*	165,000
Wendell and Statesville, NC*	159,000
Monroe, CT	91,000
Greencastle, IN	90,000
Malvern, PA	79,000

\* 2 locations

Non-U.S. -----	
Israel (5 locations)	1,058,000
Hungary (2 locations)	961,000
Germany (8 locations)	561,000
People's Republic of China (4 locations)	514,000
Czech Republic (5 locations)	446,000
Republic of China (Taiwan) (3 locations)	397,000
France (3 locations)	332,000
Portugal	301,000
Netherlands	286,000
Belgium (2 locations)	180,000
Austria	153,000
Philippines	149,000
India	140,000
Malaysia	115,000

We own an additional 288,000 square feet of manufacturing facilities located in Maryland, New York, Rhode Island, South Dakota, Vermont and Mexico.

Leased facilities in the United States include 190,000 square feet of space located in California, Massachusetts, New York, Connecticut and South Dakota. Foreign leased facilities consist of 817,000 square feet in China, 204,000 square feet in Germany, 127,000 square feet in Mexico, 120,000 square feet in Austria, 75,000 square feet in the Czech Republic, 43,000 square feet in Sweden, 24,000 square feet in Israel, and 13,000 square feet in the United Kingdom, and 3,000 square feet in Taiwan.

In the opinion of management, our properties and equipment generally are in good operating condition and are adequate for our present needs. We do not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities.



Item 3. LEGAL PROCEEDINGS  
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From time to time we are involved in routine litigation incidental to our business. Management believes that such matters, either individually or in the aggregate, should not have a material adverse effect on our business or financial condition.

Our 80.4% owned subsidiary, Siliconix, is a party to two environmental proceedings. The first involves property that Siliconix vacated in 1972. In July 1989, the California Regional Water Quality Control Board (RWQCB) issued Cleanup and Abatement Order No. 89-115 both to Siliconix and the current owner of the property. The Order alleged that Siliconix contaminated both the soil and the groundwater on the property by the improper disposal of certain chemical solvents. The RWQCB considered both parties to be liable for the contamination and sought to have them decontaminate the site to acceptable levels. Siliconix subsequently reached a settlement of this matter with the current owner of the property. The settlement provided that the current owner will indemnify Siliconix and its employees, officers, and directors against any liability that may arise out of any governmental agency actions brought for environmental cleanup of the subject site, including liability arising out of RWQCB Order No. 89-115, to which Siliconix remains nominally subject.

The second proceeding involves Siliconix's Santa Clara, California facility, which Siliconix has owned and occupied since 1969. In February 1989, the RWQCB issued Cleanup and Abatement Order No. 89-27 to Siliconix. The Order is based on the discovery of contamination of both the soil and the groundwater on the property by certain chemical solvents. The Order calls for Siliconix to specify and implement interim remedial actions and to evaluate final remedial alternatives. The RWQCB issued a subsequent order requiring Siliconix to complete the decontamination. Siliconix has substantially completed its compliance with the RWQCB's orders.

Our subsidiary General Semiconductor has been named a PRP at several Superfund sites and as a defendant in two lawsuits in the United States District Court for the Eastern District of New York. See "Environment, Health and Safety."

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS  
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None.

Item 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information regarding our executive officers as of March 15, 2004.

Name	Age	Positions Held
Dr. Felix Zandman*	75	Chairman of the Board and Chief Executive Officer
Dr. Gerald Paul*	55	Chief Operating Officer, President and Director
Marc Zandman*	42	Vice-Chairman of the Board, President-Vishay Israel Ltd.
Richard N. Grubb	57	Executive Vice President, Treasurer, and Chief Financial Officer
Ziv Shoshani*	38	Executive Vice President, Resistor and Inductor Group and Director

\* Member of the Executive Committee of the Board of Directors.

Dr. Felix Zandman, a founder of the Company, has been the Chief Executive Officer and a Director of the Company since its inception. Dr. Zandman had been President of the Company from its inception until March 16, 1998, when Dr. Gerald Paul was appointed President of the Company. Dr. Zandman has been Chairman of the Board since March 1989.

Dr. Gerald Paul has served as a Director of the Company since May 1993 and has been Chief Operating Officer and an Executive Vice President of the Company since August 1996. On March 16, 1998, Dr. Paul was appointed President of the Company. He was President of Vishay Electronic Components, Europe from January 1994 to August 1996. Dr. Paul has been Managing Director of Draloric Electronic GmbH, an affiliate of the Company, since January 1991. Dr. Paul has been employed by Draloric since February 1978.

Marc Zandman was appointed Vice-Chairman of the Board as of March 1, 2003. He has been a Director of the Company since May 2001, President of Vishay Israel Ltd. since April 1998, and Group Vice President of Measurements Group since August 2002. Mr. Zandman has served in various other capacities with the Company since August 1984. He is the son of Dr. Felix Zandman, the Company's Chief Executive Officer.

Richard N. Grubb has been Vice President, Treasurer and Chief Financial Officer of the Company since May 1994, and has been an Executive Vice President of the Company since August 1996. Mr. Grubb has been associated with the Company in various capacities since 1972, and was a Director from 1994 through 2003.

Ziv Shoshani has been Executive Vice President of the Resistor and Inductor Group since 2002. He was Executive Vice President of the Capacitors Group in 2001 and 2002 and was Executive Vice President, Specialty Products Division in 2000 and 2001, including responsibility for oversight of Vishay's Measurements Group Division. Prior to that, Mr. Shoshani served in various capacities including Senior Vice President Precision Resistors, Worldwide Foil Resistors Manager, Plant Manager, Holon, Israel, and Quality Control Manager, Holon. Mr. Shoshani has been employed by the Company since 1995. He is the nephew of Dr. Felix Zandman, the Company's Chief Executive Officer.

PART II

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Item 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER

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MATTERS  
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Our common stock is listed on the New York Stock Exchange under the symbol VSH. The following table sets forth the high and low sales prices for our common stock as reported on the New York Stock Exchange Composite Tape for the quarterly periods within the 2002 and 2003 calendar years indicated. We do not currently pay cash dividends on our capital stock. Our policy is to retain earnings to support the growth of our business and we do not intend to change this policy at the present time. In addition, we are restricted from paying cash dividends under the terms of our revolving credit agreement. See Note 6 to our consolidated financial statements. Holders of record of our common stock totaled approximately 2,007 at March 9, 2004.

COMMON STOCK MARKET PRICES

	Calendar 2002		Calendar 2003	
	High	Low	High	Low
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First Quarter	\$22.50	\$17.05	\$13.24	\$ 8.77
Second Quarter	\$26.15	\$19.31	\$15.15	\$ 9.93
Third Quarter	\$22.00	\$ 8.51	\$19.00	\$12.47
Fourth Quarter	\$15.10	\$ 6.70	\$23.15	\$17.45

At March 9, 2004, we had outstanding 14,979,440 shares of Class B common stock, par value \$.10 per share, each of which entitles the holder to ten votes. The Class B common stock generally is not transferable except in certain very limited instances, and there is no market for those shares. The Class B common stock is convertible, at the option of the holder, into common stock on a share for share basis. Substantially all of the Class B common stock is owned by Dr. Felix Zandman, our Chairman and Chief Executive Officer, the estate of Mrs. Luella B. Slaner, a former director, the children of Mrs. Slaner, and trusts for the benefit of the grandchildren of Mrs. Slaner, either directly or beneficially. Directly, and as voting trustee under a voting trust agreement, Dr. Zandman has voting power over substantially all of the outstanding Class B common stock.

See Item 12 for certain equity compensation information with respect to equity compensation plans approved by security holders and equity compensation plans not approved by security holders.

Item 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial information of the Company as of and for the fiscal years ended December 31, 2003, 2002, 2001, 2000, and 1999. This table should be read in conjunction with our consolidated financial statements and the related notes thereto included elsewhere in this Form 10-K.

	As of and for the Year Ended December 31,				
	2003 (1)	2002 (2)	2001 (3)	2000	1999 (4)
Income Statement Data (in thousands, except per share amounts):					
Net sales	\$2,170,597	\$1,822,813	\$1,655,346	\$2,465,066	\$1,760,091
Interest expense	37,831	28,761	16,848	25,177	53,296
Earnings (loss) before income tax provision (benefit) and minority interest	46,426	(100,045)	10,103	690,225	134,711
Income tax provision (benefit)	11,528	(16,900)	5,695	148,186	36,940
Minority interest	8,056	9,469	3,895	24,175	14,534
Net earnings (loss)	26,842	(92,614)	513	517,864	83,237
Basic earnings (loss) per share(5)	\$0.17	\$(0.58)	\$0.00	\$3.83	\$ 0.66
Diluted earnings (loss) per share(5)	\$0.17	\$(0.58)	\$0.00	\$3.77	\$ 0.65
Weighted average shares outstanding - basic (5)	159,631	159,413	141,171	135,295	126,678
Weighted average shares outstanding - diluted (5)	160,443	159,413	142,514	137,463	128,233
Balance Sheet Data (in thousands):					
Total assets	\$4,572,513	\$4,315,159	\$3,951,523	\$2,783,658	\$2,323,781
Long-term debt	836,606	706,316	605,031	140,467	656,943
Working capital	1,049,892	897,456	1,096,034	1,057,200	604,150
Stockholders' equity	2,514,034	2,358,787	2,366,545	1,833,855	1,013,592

(1) Includes the results of BCcomponents, acquired in December 2002. Also includes net charge of \$22,362,000 for restructuring and severance costs, inventory write-downs, a loss on purchase commitments, and a loss on extinguishment of debt, partially offset by a gain on insurance proceeds. These items and their tax related consequences had a negative \$0.11 effect on earnings per share. These items are more fully described in the notes to the consolidated financial statements.

(2) Includes the results from January 1, 2002 of Infineon Malaysia optoelectronic infrared components business, January 31, 2002 of Sensortronics, July 1, 2002 of Tedea-Huntleigh, August 1, 2002 of BLH/Nobel, and October 1, 2002 of Celtron. Also includes charges for restructuring and severance costs, inventory write-downs, a loss on purchase commitments and other charges of \$169,900,000. These items and their tax related consequences had a negative \$0.85 effect on earnings per share. These items are more fully described in the notes to the consolidated financial statements.

(3) Includes the results from January 1, 2001 of Tansitor, July 27, 2001 of Infineon U.S. optoelectronic infrared components business, November 2, 2001 of General Semiconductor, and November 7, 2001 of Mallory. Also includes charges for restructuring and severance costs, inventory write-downs, a write-off of purchased in-process research and development, and other charges of \$156,590,000. These items and their tax related consequences had a negative \$0.84 effect on earnings per share. These items are more fully described in the notes to the consolidated financial statements.

(4) The sale of Nicolitch, S.A. and a tax rate change in Germany reduced net earnings by \$14,562,000 (\$0.11 per share).

(5) Adjusted to reflect a three-for-two stock split distributed June 9, 2000, and a five-for-four stock split distributed June 22, 1999.

Management believes that stating the impact on net earnings of items such as restructuring, inventory write-downs, losses on purchase commitments, losses on early extinguishment of debt, gains on insurance proceeds, write-offs of in-process research and development, and other charges is meaningful to investors because it provides insight with respect to ongoing operating results of the Company.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Sales for the year ended December 31, 2003 were \$2.171 billion compared to sales of \$1.823 billion for the year ended December 31, 2002. Net earnings for the year ended December 31, 2003 were \$26.8 million or \$0.17 per share, compared with a net loss for the year ended December 31, 2002 of \$92.6 million or \$0.58 per share. Earnings for the year ended December 31, 2003 were impacted by restructuring and severance costs of \$29.6 million, a loss on extinguishment of debt of \$9.9 million, a loss on long-term purchase commitments of \$11.4 million, and a write-down of tantalum inventories on hand to market value of \$5.4 million, offset by a gain on an insurance claim of \$33.9 million. These items and their tax related consequences had a negative \$0.11 effect on earnings per share. The year ended December 31, 2002 included charges for restructuring, inventory write-downs, a loss on purchase commitments and other charges of \$169.9 million resulting in a reduction of \$0.85 in net earnings per share.

Following a difficult 2002 and 2001, in which the electronic components business generally was depressed both in the United States and much of the world, market conditions remained difficult in first half of 2003. In the latter half of the year, we noted substantial improvement of the general economic outlook worldwide. We have seen a rapid acceleration of demand in electronics in all regions, in almost all market segments, beyond pure seasonality and stock replenishment. We noted, in particular, strength in automotive products, computers and mobile phones. The economic recovery began in the active business, consistent with historical trends and as seen in the third quarter of 2003. The passive business is also showing indications of recovery. Pricing pressure has started to abate in the active products markets, but its presence continues to be felt in the passive segment, particularly for commodity products.

Capacity utilization is a reflection, in part, of product demand trends. We were approaching full capacity in most of our active facilities during the latter half of the year. We are working to alleviate capacity constraints in the active segment by addressing production bottlenecks in our fabrication facilities, expanding our backend operations and expanding and broadening our foundry activities. Capacity utilization showed some improvement in the passive segment during 2003, where capacity for resistors and inductors ranged from 60% to 75%, while in the capacitor lines it averaged around 50%.

Despite these positive trends, operating results for 2003 remained depressed because of pricing pressures. Average selling prices continued to decline during 2003 in both the passive and active segments, though considerably less rapidly in the second half of the year. Operating results for the first half of 2003 also suffered from the severe acute respiratory syndrome, or SARS, outbreak, particularly in the active segment which does a substantial portion of its business in Asia.

Financial Metrics

We utilize several financial measures and metrics to evaluate the performance and assess the future direction of our business. These key financial measures and metrics include sales, end-of-period backlog, the book-to-bill ratio, and inventory turnover. We also monitor changes in average selling prices.

End-of-period backlog is one indicator of future sales. However, if demand falls below customers' forecasts, or if customers do not control their inventory effectively, they may cancel or reschedule the shipments that are included in our backlog, in many instances without the payment of any penalty. Therefore, the backlog is not necessarily indicative of the results of future periods.

Another important indicator of demand in our industry is the book-to-bill ratio, which is the ratio of the amount of product ordered during a period as compared with the product that we ship during that period. A book-to-bill ratio that is greater than one indicates that our orders are building and that we are likely to see increasing revenues in future periods. Conversely, a book-to-bill ratio that is less than one is an indicator of declining demand and may foretell declining sales.

We also focus on our inventory turnover as a measure of how well we are managing our inventory. We define inventory turnover for a financial reporting period as our cost of products sold for that period divided by our average inventory for the period. A higher level of inventory turnover reflects more efficient use of our capital. In 2003, inventory turnover improved to 3.16 from 2.52 in 2002, which we attribute to somewhat improved selling conditions and enhanced selling efficiencies implemented during the year. Exclusive of tantalum and palladium write-downs, inventory turnover would have been approximately 3.15 in 2003 as compared to 2.47 in 2002.

The quarter-to-quarter trends in these financial metrics can also be an important indicator of the likely direction of our business. The following table shows sales, the end-of-period backlog and the book-to-bill ratio for our business as a whole during the five quarters beginning with the fourth quarter of 2002 and through the fourth quarter of 2003.

	4th Quarter ----- 2002 ----	1st Quarter ----- 2003 ----	2nd Quarter ----- 2003 ----	3rd Quarter ----- 2003 ----	4th Quarter ----- 2003 ----
Sales	\$459,377,000	\$532,127,000(1)	\$538,103,000(1)	\$533,168,000(1)	\$567,199,000(1)
End-of-Period Backlog	\$407,600,000	\$438,200,000	\$419,800,000	\$434,000,000	\$532,000,000
Book-to-Bill Ratio	0.93	1.05	0.96	1.03	1.14

(1) Includes \$69,300,000, \$63,600,000, \$60,800,000, and \$63,900,000 attributable to BComponents for the first, second, third and fourth quarters of 2003, respectively.

Management believes that these trends are an encouraging indication of broad-based demand into 2004, in all of our major markets and all geographic areas.

Pricing in our industry is volatile. During 2003, we experienced significant declines in average selling prices, particularly in the first half of the year in our active business. Prices stabilized in the second half of the year, and we expect relatively stable pricing to continue into 2004.

#### Segments

Vishay operates in two segments, passive components and active components. We are the leading manufacturer of passive components in the United States and Europe. These components include resistors, capacitors, inductors, strain gages and load cells. We include in this segment our Measurements Group, which manufactures and markets strain gages, load cells, transducers, instruments and weighing systems. The core components of these devices are resistors that are sensitive to various types of mechanical stress. We are also one of the world's leading manufacturers of active electronic components, also referred to as discrete semiconductors. These include transistors, diodes, rectifiers, certain types of integrated circuits and optoelectronic products. Our active segment includes our 80.4% owned subsidiary, Siliconix. The passive components business had historically predominated at Vishay until the purchase of General Semiconductor in November 2001, after which the lead position shifted to the active business. With the acquisition of BComponents in December 2002, revenues from our active and passive businesses are essentially split evenly between the segments. For 2003, approximately 51% of our revenues were attributable to our passive business and 49% to our active business.

The passive and active segments of our business have historically responded differently to phases of the business cycle. Having strong capabilities in both areas not only gives us a broad line of products to offer our customers, it also smoothes, to some extent, the business swings that we experience. When business slows down, active components are usually first to feel the effects of the downturn that are later experienced by passive components. Similarly, when business begins to increase, our semiconductor products usually lead the recovery, followed some time later by resistors, inductors and capacitors. Results for the second half of 2003 are indicative of these past trends, where we saw improvements in active products beginning in the third quarter, which was followed by improvements in our passive products in the fourth quarter. We expect these trends to continue into 2004.

The following table shows sales and book-to-bill ratios broken out by segment for the five quarters beginning with the fourth quarter of 2002 through the fourth quarter of 2003:

	4th Quarter ----- 2002 ----	1st Quarter ----- 2003 ----	2nd Quarter ----- 2003 ----	3rd Quarter ----- 2003 ----	4th Quarter ----- 2003 ----
Passive Components Sales	\$198,542,000	\$274,874,000(1)	\$280,056,000(1)	\$268,368,000(1)	\$281,558,000(1)
Book-to-Bill Ratio	1.00	1.07	0.96	0.97	1.06
Active Components Sales	\$260,835,000	\$257,253,000	\$258,047,000	\$264,800,000	\$285,641,000
Book-to-Bill Ratio	0.88	1.03	0.96	1.09	1.23

(1) Includes \$69,300,000, \$63,600,000, \$60,800,000, and \$63,900,000 attributable to BCcomponents for the first, second, third and fourth quarters of 2003, respectively.

#### Cost Management

We place a strong emphasis on reducing our costs. One way we do this is by moving production to the extent possible from high-labor-cost markets, such as the United States and Western Europe, to lower-labor-cost markets, such as Israel, Mexico, the Republic of China (Taiwan), the People's Republic of China and Eastern Europe. The percentage of our total headcount in lower-labor-cost countries is a measure of the extent to which we are successful in implementing this program. This percentage was 69% at the end of 2003, as compared to 65% at the end of 2002, 61% at the end of 2001, and 57% at the end of 2000. We continue to target improvement in this area as we proceed with the integration of the business of BCcomponents, acquired in December 2002. The long-term target remains between 75% and 80% of our headcount in lower-labor-cost countries.

We are placing particular emphasis on cost reduction in our capacitor lines, which have been hardest hit by the recent market downturn and where the business continues to suffer from worldwide overcapacity. In 2003, we completed the transfer of our power capacitor production from Western Europe to the Czech Republic and began moving our molded tantalum capacitor business to the People's Republic of China. We also began to consolidate our existing film capacitor line within the business of BCcomponents.

#### Israeli Government Incentives

Our production facilities in Israel benefit from incentives offered by the Israeli government for creation of jobs and capital investment in that country. These benefits take the form of government grants and reduced tax rates that are lower than those in the United States. These reduced tax rates apply to projects specifically approved by the Israeli government and, depending on project size, are available for periods of ten or fifteen years. Due to the write-downs of inventories and the losses on long-term purchase commitments in 2002 and 2003, the application of the Israeli tax rates rather than United States tax rates resulted in an increase in net loss of \$24.8 million in 2002 and a decrease in net earnings of \$3.1 million in 2003. In 2001, lower tax rates in Israel, as compared to the statutory rate in the United States, resulted in an increase in net earnings of \$3.0 million.

Israeli government grants are awarded to specific projects. These grants are intended to promote employment in Israel's industrial sector and are conditioned on the recipient maintaining certain prescribed employment levels. Grants are paid when the related projects become operational, and the Israeli government approves the project. Israeli government grants, recorded as a reduction in the costs of products sold, were \$12.4 million, \$17.3 million and \$19.1 million in the years 2003, 2002 and 2001, respectively. At December 31, 2003, our balance sheet reflected \$27.7 million in deferred grant income.

During the second quarter of 2002, the government of Israel informed us that since the headcount in our Israeli subsidiaries decreased significantly over the previous 18 months, the government intended to withhold up to \$15 million grant otherwise due to us. The grant, which was made by the Israeli government under an economic stimulus program, was conditioned in part on the employment levels at certain of our Israeli facilities. The Israeli government argued that we had not maintained employment at the required minimum levels. During the fourth quarter of 2002, we settled our dispute with the government of Israel, and the government agreed to continue making grant payments to us. Under the terms of the settlement with the Israeli government, Vishay is required to employ at least an additional 1,500 employees in Israel over the next three years in order to preserve its eligibility for the government grant. We have hired an additional 1,319 employees to date and expect to comply with these requirements. We therefore recorded a catch up adjustment of approximately \$1.0 million of grant income for the fourth quarter of 2002 and reversed the allowances against the grant and deferred income reflected on the September 30, 2002 balance sheet.

If we were no longer able to maintain the required level of employment in the future, we could be required to return some grant funds that were previously awarded to us. The effect of the return of these funds would be to reduce our income in future years. Also, if the current business climate continues, we might not initiate new projects that qualify for grants or reduced tax rates or the Israeli government could curtail or eliminate the programs from which we have benefited in the past.

#### Write-Downs of Inventory and Purchase Commitments

Tantalum is the principal material used in the manufacture of tantalum capacitors. We generally purchase this metal in powder or wire form, although in 2000 and early 2001, when we perceived possible supply shortages, we also stockpiled quantities of tantalum ore. In July and November of 2000, we entered into purchase contracts with Cabot Corporation for tantalum powder and wire that committed us to minimum purchases of these materials at fixed prices through 2005. We regularly utilize tantalum powder and wire in the production of tantalum capacitors but have not used our stockpile of tantalum ore since 2000. Palladium is a precious metal used in the production of multi-layer ceramic capacitors that we purchase under short-term contracts.

In 2001, as a result of the general downturn in the electronics business, we experienced a significant decrease in capacitor sales. Prices of tantalum ore, powder and wire and of palladium also experienced significant declines. Accordingly, we recorded write-downs of our raw material inventories of these metals including \$38.0 million for tantalum ore, \$14.0 million for tantalum wire and powder and \$18.0 million for palladium.

In June 2002, following initiation of a lawsuit by Cabot regarding its tantalum supply contracts with Vishay, we agreed with Cabot to modify the contracts, including reducing prices, providing for purchases at regular intervals and extending one of the contracts through 2006. In the fourth quarter of 2002, our management concluded that the depressed prices for tantalum were not attributable to temporary imbalances in distributor inventories for tantalum capacitors and that the prices for tantalum were likely to remain at their currently depressed levels for the foreseeable future. Also during the fourth quarter, one of our competitors settled its dispute with Cabot regarding long-term tantalum purchase commitments at prices that we understand are in the same range as the prices under our June 2002 settlement with Cabot. Our management therefore concluded that it was unlikely to obtain further price concessions from Cabot. Accordingly, we determined that it was appropriate to accrue a loss on our purchase commitments under our supply contracts with Cabot to reflect the difference between the prices that we are required to pay under the contracts and current market prices for tantalum. For the same reasons, we also determined to further write down our raw material inventories of tantalum ore, powder and wire. These charges amounted to approximately \$106.0 million for the purchase commitments and \$25.7 million for inventory. In 2002, we also recorded a write-down of \$1.7 million on palladium inventories.



Prices for tantalum continued to decline in 2003. We recorded write-downs of \$5.4 million to reduce tantalum inventories to current market value, and a loss on purchase commitments for future delivery of tantalum of \$11.4 million. In addition, we recorded a write-down of \$1.6 million of palladium inventory in the first quarter of 2003.

The raw materials write-downs have the effect of improving gross margins in subsequent periods by reducing cost of goods sold as inventory is utilized. This effect cannot be quantified in any specific reporting period, however, because of the large number of affected products and the impracticality of tracking raw material inventory usage on a product-by-product basis.

We anticipate, based on current and foreseeable demand for tantalum capacitors, that our minimum purchase commitments under the contracts with Cabot will substantially exceed our requirements over the terms of the contracts. See "Contractual Commitments" below. Also, we do not anticipate utilizing our stockpile of tantalum ore at any time in the foreseeable future. Tantalum ore, powder and wire have an indefinite shelf life; therefore, we believe that we will eventually utilize all of the material in our inventory or purchased under the contracts. Based on usage currently expected in 2004, our purchase commitments represent approximately 7.5 years of usage. We have little visibility of the demand for our tantalum capacitor products beyond twelve months. It is almost certain that our actual requirements of tantalum will differ from those projected, and likely that the difference will be material.

#### Foreign Currency

In 2003, we realized approximately 74% of our revenues from customers outside the United States. Any third party sales not using the U.S. dollar as the functional currency must be reported in the local currency and be translated at the weighted average exchange rate. This translation has an impact on the net sales line of the consolidated statements of operations and also on the expense lines of the consolidated statements of operations. We generally do not purchase foreign currency exchange contracts or other derivative instruments to hedge our exposure to foreign currency fluctuations.

#### Critical Accounting Policies and Estimates

Our significant accounting policies are summarized in Note 1 to our consolidated financial statements. We identify here a number of policies that entail significant judgments or estimates.

#### Revenue Recognition

We recognize revenue on product sales during the period when the sales process is complete. This generally occurs when products are shipped to the customer in accordance with terms of an agreement of sale, title and risk of loss have been transferred, collectibility is reasonably assured and pricing is fixed or determinable. We have agreements with distributors that historically provided limited rights of product return. Beginning in 2002, we modified these arrangements to allow distributors a limited credit for unsaleable products, which we term a "scrap allowance." Consistent with industry practice, we also have a "stock, ship and debit" program whereby we consider, and grant in our discretion, requests by distributors for credits on previously purchased products that remain in distributors' inventory, to enable the distributors to offer more competitive pricing. In addition, we have contractual arrangements whereby we provide distributors with protection against price reductions that we initiate after sale of product to the distributor and prior to resale by the distributor.

We record end of period accruals for each of the programs based upon our estimate of future credits under the programs that will be attributable to sales recorded through the end of the period. We calculate reductions of revenue attributable to each of the programs during any period by computing the change in the accruals from the prior period and adding the credits actually given to distributors during the period under the programs. These procedures require the exercise of significant judgments, but we believe they enable us to estimate reasonably future credits under the programs.

Recording and monitoring of these accruals takes place at our subsidiaries and divisions, with input from sales and marketing personnel and review, assessment and, if necessary, adjustment by corporate management. While our subsidiaries and divisions utilize different methodologies based on their individual experiences, all of the methodologies take into account sales to distributors during the relevant period, inventory levels at the distributors, current and projected market trends and conditions, recent and historical activity under the relevant programs, changes in program policies, and open requests for credits. These are the elements that management considers relevant, and, in our judgment, the different methodologies provide us with equally reliable estimates upon which to base our accruals. We do not track the credits that we record against specific products sold from distributor inventories, so as to directly compare revenue reduction for credits recorded during any period with credits ultimately awarded in respect of products sold during that period. Nevertheless, we believe that we have an adequate basis to assess the reasonableness and reliability of our estimates.

#### Accounts Receivable

Our receivables represent a significant portion of our current assets. We are required to estimate the collectibility of our receivables and to establish allowances for the amount of receivables that will prove uncollectible. We base these allowances on our historical collection experience, the length of time our receivables are outstanding, the financial circumstances of individual customers, and general business and economic conditions.

#### Inventories

We value our inventories at the lower of cost or market, with cost determined under the first-in first-out method and market based upon net realizable value. The valuation of our inventories requires our management to make market estimates. For instance, in the case of tantalum powder, we estimate market value by obtaining current quotations from available sources of supply. For work in progress goods, we are required to estimate the cost to completion of the products and the prices at which we will be able to sell the products. For finished goods, we must assess the prices at which we believe the inventory can be sold. As noted, we recorded write-downs of our tantalum and palladium inventories in 2002 and 2003. Inventories are also adjusted for estimated obsolescence and written down to net realizable value based upon estimates of future demand, technology developments and market conditions.

#### Estimates of Restructuring and Severance Costs and Purchase Related Restructuring Costs

In 2003, we recorded restructuring costs of approximately \$29.6 million related to our existing businesses. In 2002, we recorded restructuring costs of approximately \$48.0 million related to our acquisitions and \$31.0 million related to our existing businesses. Our acquisition-related restructuring costs included, among other things, costs related to our acquisition of BCcomponents in December 2002. Our restructuring activities related to existing business were designed to reduce both our fixed and variable costs, particularly in response to the reduced demand for our products occasioned by the electronics industry downturn. These included the disposition of fixed assets and the termination of employees. Acquisition-related costs are included in the allocation of the cost of the acquired business and generally add to goodwill. Other restructuring costs are expensed during the period in which we determine that we will incur those costs, and all of the requirements for accrual are met.

Because these costs are recorded based upon estimates, our actual expenditures for the restructuring activities may differ from the initially recorded costs. If this happens, we will have to adjust our estimates in future periods. In the case of acquisition-related restructuring costs, this would generally require a change in value of the goodwill appearing on our balance sheet, but would not affect our earnings. In the case of other restructuring costs, we could be required either to record additional expenses in future periods, if our initial estimates were too low, or to reverse part of the charges that we recorded initially, if our initial estimates were too high.

## Raw Material Write-downs

In 2002 and 2003, we took charges against contractual commitments to purchase tantalum powder and wire through 2006 and wrote-down our existing inventory of tantalum ore, powder and wire to present market value. We did this because the current market prices of tantalum are substantially below the prices at which we are committed to purchase tantalum in the future under long-term contracts and the prices at which we were carrying our tantalum raw materials inventory. These actions involved significant judgments on our part, including decisions of whether to take these charges and write-downs, their timing and their amount.

We made the decision to take the charges and write-downs after our management concluded that the substantial fall-off in the demand for tantalum capacitors was likely to continue for the foreseeable future. Combining this assessment with the worldwide over-capacity in tantalum production, we could not foresee when tantalum prices might recover from their currently depressed levels. Although we believe that both the charges and write-downs as well as their timing were appropriate under the circumstances, our visibility for future demand and pricing is limited and the judgments made by our management necessarily involved subjective assessments.

The write-down of our current tantalum inventory and the charges with respect to our future tantalum commitments were calculated based on market prices for tantalum. There is no established market on which tantalum raw materials are regularly traded and quoted. We based our determination of current market price on quotations from two suppliers of these materials. We cannot say that the prices at which we could currently enter into contracts for the purchase of tantalum would be the same as these quoted prices. Had we made other assumptions on current and future prices for tantalum, the amount of the inventory write-downs and the charges against our purchase commitments would have been different.

If tantalum prices were to recover in the future, we would not reverse the write-downs that we have taken on our raw materials inventory, so that our cost of materials will continue to reflect these write-downs regardless of future price increases in tantalum. This could have the effect of increasing the earnings that we realize in future periods from what they would have been had we not taken these actions until future raw material prices were known with certainty. We could also be required to take further write-downs and charges if tantalum prices experience further declines.

Based upon similar considerations, we recorded write-downs of our palladium inventory to market value in both 2002 and 2003.

## Goodwill

Goodwill represents the excess of the cost of businesses acquired over the fair value of the related net assets at the date of acquisition. Goodwill is tested for impairment at least annually. These tests will be performed more frequently if there are triggering events. SFAS No. 142 prescribes a two-step method for determining goodwill impairment. In the first step, we determine the fair value of the reporting unit using a comparable companies market multiple approach. If the net book value of the reporting unit exceeds the fair value, we would then perform the second step of the impairment test which requires allocation of the reporting unit's fair value to all of its assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill. An impairment charge will be recognized only when the implied fair value of a reporting unit's goodwill is less than its carrying amount.

Fair value of reporting units is determined using comparable company market multiples. The comparable companies utilized in our evaluation are the members of our peer group utilized in the presentation of our stock performance in our annual proxy statement.

## Impairment of Long-Lived Assets

We assess the impairment of our long-lived assets, other than goodwill and tradenames, including property and equipment, and identifiable intangible assets subject to amortization, whenever events or changes in circumstances indicate the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include significant changes in the manner of our use of the acquired asset, changes in historical or projected operating performance and significant negative economic trends.

## Results of Operations

Income statement captions as a percentage of sales and the effective tax rates were as follows:

	Year Ended December 31		
	2003	2002	2001
Costs of products sold	77.9%	79.8%	77.0%
Gross profit*	21.6%	14.4%	23.0%
Selling, general and administrative expenses	17.6%	17.1%	16.8%
Operating income (loss)	2.7%	(4.4%)	0.9%
Earnings (loss) before income taxes (benefit) and minority interest	2.1%	(5.5%)	0.6%
Net earnings (loss)	1.2%	(5.1%)	0.0%
Effective tax rate	24.8%	16.9%	56.4%

\* - Reflects losses on purchase commitments of \$11.4 million and \$106.0 million during the years ended December 31, 2003 and 2002.

## Net Sales, Gross Profits and Margins

Net sales for the year ended December 31, 2003 increased by \$347.8 million or 19.1% over the prior year. The increase primarily reflects the acquisitions of BCcomponents in December 2002, Celtron Technologies in October 2002, BLH and Nobel in July 2002 and Tedeo-Huntleigh BV in September 2002. Excluding these acquisitions, net sales increased \$49.1 million, or 3%. The weakening of the U.S. dollar against foreign currencies for the year ended December 31, 2003, in comparison to the prior year, resulted in increases in reported sales of \$74 million.

Net sales for the year ended December 31, 2002 increased by \$167.5 million or 10.1% over the prior year. This reflects a substantial increase in sales in the active segment, attributable in large measure to 2001 acquisitions reflected only partially in 2001 but fully in 2002, partially offset by a continuing drop in sales in the passive segment in 2002. The weakening of the U.S. dollar against foreign currencies for the year ended December 31, 2002, in comparison to the prior year, resulted in increases in reported sales of \$18 million.

We deduct, from the sales that we record to distributors, allowances for future credits that we expect to provide for returns, scrapped product and price adjustments under various programs made available to the distributors. We make deductions corresponding to particular sales in the period in which the sales are made, although the corresponding credits may not be issued until future periods. We estimate the deductions based on sales levels to distributors, inventory levels at the distributors, current and projected market trends and conditions, recent and historical activity under the relevant programs, changes in program policies and open requests for credits. We recorded deductions from gross sales under our distributor incentive programs of \$67.2 million, \$67.4 million, and \$56.1 million for the years ended December 31, 2003, 2002, and 2001, respectively, or, as a percentage of gross sales 3.0%, 3.6%, and 3.2%, respectively. Actual credits issued under the programs for the years ended December 31, 2003, 2002, and 2001, were approximately \$62.4 million, \$63.4 million, and \$52.7 million, respectively. The increase in the incentives from 2001 is attributable primarily to the adverse business climate that developed following 2000 and the resulting pricing pressures that affected our distributors and the electronic component industry generally.

Costs of products sold as a percentage of net sales for the year ended December 31, 2003 was 77.9% as compared to 79.8% for the prior year. Gross profit as a percentage of net sales for year ended December 31, 2003 was 21.6% as compared to 14.4% for the prior year. Price declines were offset in substantial part by volume increases and cost savings programs. Gross profit for 2003 reflects write-downs of raw material inventory to lower of cost or market of \$7.0 million, which is included in cost of products sold, and an accrual of loss on long-term purchase commitments of \$11.4 million. Gross profit for 2002 reflects a write-down of raw material inventory to market value of \$27.4 million, which is included in cost of products sold, and an accrual of loss on long-term purchase commitments of \$106.0 million.

Costs of products sold as a percentage of net sales were 79.8% for the year ended December 31, 2002 as compared to 77.0% for the prior year. Gross profit, as a percentage of net sales, for the year ended December 31, 2002 was 14.4% as compared to 23.0% for the prior year. Gross profit for 2002 includes a write-down of raw material inventory to market value of \$27.4 million, which is included in cost of goods sold, and accruals for losses on purchase commitments of \$106.0 million. The erosion in overall profit margins in 2002 reflected the continuing weakness in the passive segment, offset in substantial part by improvements in the active segment. Both volume reduction and further declines in average selling prices contributed to the declining profit margins in the passive segment. Profit margins in the active segment benefited from higher volumes, even as average selling prices continued to decline in various product lines. For the year ended December 31, 2001, gross profit reflected write-downs of tantalum and palladium inventories of \$70.0 million.

See "Israeli Government Incentives" regarding Israeli government grants, which are recorded as a reduction in costs of products sold.

The following tables show sales and gross profit margins separately for our passive and active segments.

#### Passive Components

	Year Ended December 31		
	2003	2002	2001
Net Sales	\$1,104,856,000	\$767,246,000	\$1,010,634,000
Gross Profit Margin	17.3%	(4.9%)	20.6%

Net sales of passive components for the year ended December 31, 2003 increased \$337.6 million or 44% as compared to the prior year. Without the acquisition of BCcomponents, Celtron Technologies, BLH and Nobel, and Tedea-Huntleigh, the passive components business sales would have increased by \$38.9 million or 5% as compared to the prior year. The organic increase in net sales is attributable to the volume increases in the resistor and inductor product lines, partially offset by price declines, and the positive impact of foreign currency exchange rates. The average selling price was down versus the prior year.

Our resistor and inductor business stabilized in 2002 and began an improvement in the latter part of that year which continued into 2003. Our capacitor business, which was particularly hard hit during the recent global slowdown in the electronics industry, continues to experience the lingering effects of worldwide overcapacity in both production and supply. However, with the slowing of the erosion in average selling prices that began in the fourth quarter of 2002, the capacitor business appears to have stabilized and is showing modest signs of improvement.

Gross margins were 17.3% for the year ended December 31, 2003, as compared to negative 4.9% for the prior year. Results for 2003 reflected average margins of 29% for our resistor and inductor lines and 5% for our capacitor lines. Margins were affected negatively by raw material related write-downs in 2003 and 2002, as market prices for these materials continued to decline. During 2003, we recorded write-downs of \$5.4 million to reduce tantalum inventories to current market value, and a loss on purchase commitments for future delivery of tantalum of \$11.4 million. In addition, we recorded a write-down of \$1.6 million of palladium inventory. In 2002, we recorded a loss on long-term purchase commitments of tantalum of \$106.0 million and write-downs of \$27.4 million on tantalum and palladium inventories. The raw material write-downs have the effect of improving gross margins in subsequent periods by reducing cost of goods sold as inventory is utilized. This effect cannot be quantified in any specific reporting period, however, because of the large number of affected products and the impracticality of tracking raw material inventory usage on a product-by-product basis.

We continue to implement cost reduction programs, particularly in our passive business, in order to reduce costs and thereby stabilize our margins. We have initiated several significant cost reduction programs in all of our products lines, including facility combinations and shifts of production to lower-cost regions, with particular emphasis on reducing headcount in high-labor-cost countries. Sixty-nine percent of our labor force was in low-labor-cost countries as of December 31, 2003. The impact of these cost savings plans has been partially offset by the underutilization of capacity in the commodity products.

Net sales of passive components for the year ended December 31, 2002 decreased by \$243.4 million or 24.1% from comparable sales of the prior year. The decrease in net sales was attributable to a combination of lower volume and a continuing slide in prices. Excluding the significant acquisition activity in our Measurements Group in 2002, sales in the passive segment would have decreased by \$288.9 million or 29% from the prior year. Gross profit margin in 2002 was negatively impacted by a loss on long-term purchase commitments of tantalum of \$106.0 million and write-downs of \$27.4 million on tantalum and palladium inventories. Even excluding the loss on long-term purchase commitments, our capacitor business had negative average gross margins of 6% in 2002, compared with positive average gross margins of 19% for resistors and capacitors. The acquisition of BCcomponents, a worldwide manufacturer of resistors and capacitors, in December 2002 had no material effect on the 2002 results for the passive segment.

## Active Components

	Year Ended December 31		
	2003	2002	2001
Net Sales	\$1,065,741,000	\$1,055,567,000	\$644,712,000
Gross Profit Margin	26.1%	28.4%	26.9%

Net sales of the active components business for year ended December 31, 2003 increased by \$10.2 million, or 1%, from sales of the comparable prior year period. The active segment continued to experience pricing pressure in 2003, especially during the first half of the year. Sales for the first half of 2003 actually decreased from the comparable 2002 period, primarily as a result of the SARS outbreak in Asia where Siliconix sells approximately 75% of its total sales. The modest revenue growth for the year was fueled by a significant rebound in Asian business during the second half, driven by demand for computer components and by distributors restocking inventories. Gross margins were 26.1% for the year ended December 31, 2003 as compared to 28.4% for the prior year. Margins were negatively impacted by product mix changes at Siliconix, where there was a higher share of commodity products as compared to the comparable prior year periods. Also, because of capacity constraints that it has begun to experience, Siliconix made greater use of subcontractors during 2003, which has the effect of driving down margins. Siliconix's net sales for 2003 were \$392.1 million, compared to \$372.9 million in 2002, a 5% increase, and its gross profit margins declined from 31% for 2002 to 29% for 2003.

Net sales of the active components business for the year ended December 31, 2002 increased by \$410.9 million or 63.7% from comparable sales of the prior year. As detailed below, the increase was in substantial measure due to the acquisitions of General Semiconductor and the Infineon infrared business in 2001, which were included in our results for all of 2002 but for only portions of 2001. It also reflects sales recovery at our existing semiconductor operations that began in 2002. The increased volume that we experienced in 2002 was offset to some extent by modest declines in average selling prices in various product lines. The improvement in gross profit margins to 28.4% from 26.9% is attributable primarily to improvements at Siliconix and to a lesser extent at our other semiconductor operations. Siliconix's net sales for 2002 were \$372.9 million as compared to \$305.6 million in 2001, a 22.1% increase, and its gross profit margins rose from 25% for 2001 to 31% for 2002.

Revenues in the active segment for 2002 included revenues of \$350.9 million from the Infineon infrared business and General Semiconductor, compared to revenues of \$82.7 million from these businesses in 2001. Excluding the contribution of these acquisitions, net sales in 2002 would have increased by 25.4% as compared to 2001 and gross profit margin would have been 29.5%.

### Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the year ended December 31, 2003 were 17.6% of net sales as compared to 17.1% of net sales for the prior year. This increase was mainly due to the costs associated with the acquisition and integration of BCComponents. Our continuing cost reduction initiatives referred to above also target selling, general, and administrative costs and offset, in part, the acquisition related increases in SG&A margins.

Selling, general, and administrative expenses for the year ended December 31, 2002 were 17.1% of net sales as compared to 16.8% of net sales for the prior year. The higher percentage and amount in 2002 was due primarily to acquisition activity.

## Restructuring and Severance Costs

Our restructuring activities have been designed to cut both fixed and variable costs, particularly in response to the reduced demand for products occasioned by the electronics industry downturn beginning in 2001. These activities include the closing of facilities and the termination of employees. Beginning January 1, 2003, restructuring costs have been accounted for under SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Because costs are recorded based upon estimates, actual expenditures for the restructuring activities may differ from the initially recorded costs. If the initial estimates are too low or too high, we could be required either to record additional expenses in future periods or to reverse previously recorded expenses. We anticipate that we will realize the benefits of our restructuring through lower labor costs and other operating expenses in future periods.

We recorded restructuring and severance costs for the year ended December 31, 2003 of \$29.6 million, \$28.6 million of which was workforce reduction expense and \$1.0 million of which was fixed asset impairment. The workforce reduction expense was comprised of termination costs for 708 employees in Europe, Asia and the United States. Through the end of 2003, we paid \$14.2 million of these workforce reduction costs, corresponding to the termination of 653 employees. The balance of workforce reduction expense remaining at December 31, 2003 is expected to be paid by the end of 2004. The fixed asset impairment related to facility closure. As a result of restructuring activities initiated in 2003, we expect an annual increase in gross profit of approximately \$10.4 million.

We recorded restructuring and severance costs for the year ended December 31, 2002 of \$31.0 million, of which \$18.6 million was workforce reduction expense and \$12.4 million was fixed asset impairment. The workforce reduction expense was comprised of termination costs for 1,438 employees in Europe, Israel and the United States. Through the end of 2003, we paid \$16.5 million of these workforce reduction costs, corresponding to the termination of 1,422 employees. The balance of workforce reduction expense remaining at December 31, 2003 is expected to be paid in 2004. The fixed asset impairment related to facility closure. We continue to realize annual cost savings associated with restructuring activities initiated in 2002.

We recorded \$61.9 million in restructuring and severance costs for the year ended December 31, 2001, of which \$40.9 million was workforce reduction expense and \$21.0 million was fixed asset impairment. The workforce reduction expense was comprised of termination costs for 5,663 employees in Europe, Israel and Asia. A balance of \$1.6 million of workforce reduction costs remaining at December 31, 2002 was paid in 2003. The fixed asset impairment related to facility closure. We continue to realize annual cost savings associated with restructuring activities initiated in 2001.

For additional detail on restructuring and severance costs, see Note 4 to our consolidated financial statements.

Restructuring and severance costs are separate from plant closure, employee termination and similar integration costs we incur in connection with our acquisition activities. These amounts are included in the costs of our acquisitions and do not affect earnings or losses on our statement of operations. For a discussion of these costs, see Note 2 to our consolidated financial statements.

## Interest Expense

Interest expense for the year ended December 31, 2003 increased by \$9.1 million, as compared to the prior year. This increase was primarily a result of debt issued or assumed in the various acquisitions made in 2002 and the issuance in August 2003 of our \$500 million principal amount 3-5/8% convertible subordinated notes due 2023, net of debt repaid with the proceeds of these notes of \$398 million. Acquisition related debt included, in particular borrowings of \$116 million under our revolving credit facility and the issuance of \$105 million principal amount of unsecured loan notes, currently bearing interest at LIBOR plus 1.5%, in connection with the BCcomponents acquisition in December 2002. The debt we repaid with the proceeds of our 3-5/8% notes included approximately \$171 million principal amount of General Semiconductor's 5.75% convertible notes, approximately \$97 million accreted principal amount of Liquid Yield Option(TM) Notes (LYONs) and \$130 million in borrowings under our revolving credit facility.



Interest expense for the year ended December 31, 2002 increased by \$11.9 million compared to the prior year. This increase was a result of higher average outstanding bank borrowings attributable to our acquisition activity, offset in part by somewhat lower interest rates.

#### Other Income (Expense)

We recorded a loss of \$9.9 million for extinguishment of debt during the year ended December 31, 2003 on the redemption of \$171 principal amount of the General Semiconductor notes and the repurchase of \$97.0 million in accreted principal amount of our LYONs. Also during 2003, we recorded a gain of \$33.9 million on the receipt of insurance proceeds in excess of book value on account of the destruction of the thin film resistor facility of our Electro-Films, Inc. subsidiary in Providence, Rhode Island. That facility has now been completely rebuilt into a state-of-the-art production center. No comparable losses or gains were recorded in the prior year.

Excluding the items described above, other income was \$2.3 million for the year ended December 31, 2003, as compared to \$8.7 million for the prior year. This decrease was primarily due to higher foreign exchange losses in 2003. Foreign exchange losses of \$5.2 million were reported for 2003 as compared to foreign exchange losses of \$0.8 million for the comparable prior year period. In 2003, we also had losses of \$2.5 million on the disposal of property and equipment, compared to losses of \$0.3 million in 2002. Interest income decreased by \$0.7 million for the year ended December 31, 2003 compared to the prior year, primarily due to lower interest rates. We recognized a gain on expiration of an interest rate swap of \$3.8 million in 2003, compared to a loss on ineffective interest rate swaps of \$0.1 million in 2002. Additionally, 2002 included other income of approximately \$1.4 million received from the Chinese government as an incentive for being a foreign partner in China.

Other income for the year ended December 31, 2002 was \$8.7 million as compared to \$12.7 million for the prior year. Other income in both 2002 and 2001 consisted primarily of interest income, as well as gains on disposal of property and equipment and foreign exchange gains.

#### Minority Interest

Minority interest in earnings decreased by \$1.4 million for the year ended December 31, 2003 as compared to the prior year, primarily due to the decrease in net earnings of Siliconix, of which we own 80.4%. Minority interest increased by \$5.6 million for the year ended December 31, 2002 as compared to the prior year, primarily due to the increase in net earnings of Siliconix.

#### Income Taxes

The effective tax rate for the year ended December 31, 2003 was 24.8%, reflecting tax expense, as compared to 16.9% for the prior year, reflecting a tax benefit. The effective tax rate in 2003 reflects the fact that we could not recognize for accounting purposes the tax benefit of losses incurred in certain jurisdictions, although these losses are available to offset future taxable income. Under applicable accounting principles, we may not recognize deferred tax assets for loss carryforwards in jurisdictions where there is a recent history of cumulative losses, where there is no taxable income in the carryback period, where there is insufficient evidence of future earnings to overcome the loss history and where there is no other positive evidence, such as the likely reversal of temporary timing differences, that would result in the utilization of loss carryforwards for tax purposes.

We enjoy favorable tax rates on our income in Israel from specific approved projects. The low rates, which generally are available for a period of ten or fifteen years, ordinarily result in greater earnings than what they would be if the Israeli income was subject to statutory United States tax rates. However, due to losses reported in Israel, the low rates did not improve net earnings for 2003 and 2002, respectively.

The effective tax rate for the year ended December 31, 2002 was 16.9%, reflecting an income tax benefit, compared to 56.4% for the prior year, reflecting income tax expense. The low effective rate in 2002 is primarily a consequence of the losses before income taxes in low tax jurisdictions. While we continue to benefit from low tax rates in Israel, we recognized a large taxable loss in Israel in 2002, with the effect of reducing our overall tax benefit on our losses. The more favorable Israeli tax rates are applied to specific approved projects and are normally available for a period of ten or fifteen years (see the discussion of our Israeli tax benefits in "Overview-Israeli Government Incentives" above). Comparatively, in 2001, the high effective tax rate was due to low net earnings and the non-tax deductibility of purchased research and development expense related to the General Semiconductor acquisition.

#### Financial Condition and Liquidity

Cash and cash equivalents were \$556 million at December 31, 2003, of which \$279 million belonged to Siliconix. Of the remaining amount of \$277 million, approximately \$180 million is held by our non-U.S. subsidiaries.

Our financial condition at December 31, 2003, continued to be strong, with a current ratio (current assets to current liabilities) of 2.8 to 1, compared with a ratio of 2.6 to 1 at December 31, 2002. Our ratio of long-term debt, less current portion, to stockholders' equity was 0.33 to 1 at December 31, 2003, compared to a ratio of 0.30 to 1 at December 31, 2002. The increase in long-term debt ratio from December 31, 2002 reflects the debt issued in the third quarter of 2003, net of debt repaid.

Cash flows from operations were \$255.8 million for the year ended December 31, 2003 as compared to \$366.9 million for the year ended December 31, 2002. During 2003, accounts receivable attributable to our existing businesses and inventory levels continued to decline as a result of the lingering effects of the business slowdown that began in 2001, although the drop was substantially less pronounced than in the prior year. The increase in accounts receivable at December 31, 2003 versus December 31, 2002 was primarily due to the net sales of BCcomponents, which was acquired in December 2002. Net purchases of property and equipment for the year ended December 31, 2003 were \$126.6 million, as compared to \$110.1 million in the prior year. The increase was primarily attributable to spending to expand capacity in the active business and to shift manufacturing to low labor cost regions in the passive business. We used \$278.7 million in cash for acquisitions in 2002, primarily for our acquisitions of BCcomponents in December 2002 and other smaller acquisitions in our Measurements Group during the year. The acquisitions were funded in part by our cash balances and in part from borrowings. See Note 2 to our consolidated financial statements for discussion of these acquisitions. Purchase of businesses, net of cash acquired, of \$41.2 million, for the year ended December 31, 2003 represents payments made related to liabilities assumed from previous acquisitions.

Our debt levels have increased significantly since 2000. This is primarily attributable to acquisition activity. Additionally, in 2003, we issued \$500 million of convertible subordinated notes, using a majority of the proceeds to repay other higher interest rate debt.

In connection with the acquisition of BCcomponents in December 2002, we issued \$105 million principal amount of floating rate unsecured loan notes due 2102. The notes bear interest at LIBOR plus 1.5% through December 31, 2006 and at LIBOR thereafter. The interest payable on the notes may be further reduced to 50% of LIBOR after December 31, 2010 if the price of Vishay common stock trades above a specified target price, as provided in the notes. The notes are subject to a put and call agreement under which the holders may at any time put the notes to us in exchange for 6,176,471 shares of Vishay common stock in the aggregate, and we may call the notes in exchange for cash or for shares of Vishay common stock after 15 years from the date of issuance.

On August 6, 2003, we sold \$450 million aggregate principal amount of 3-5/8% convertible subordinated notes due 2023 and granted the initial purchasers an option to purchase, within 30 days of the date of the offering memorandum relating to the notes, an additional \$50 million of the notes. This option was exercised, and the additional \$50 million of notes was issued on September 3, 2003. The notes will pay interest semi-annually. Holders may convert their notes into shares of Vishay common stock, subsequent to the occurrence of certain conditions that had not occurred as of December 31, 2003, at a conversion price of \$21.28 per share. This conversion price is the equivalent to a conversion rate of 46.9925 shares per \$1,000 principal amount of notes. The notes are subordinated in right of payment to all of our existing and future senior indebtedness and are effectively subordinated to all existing and future liabilities of its subsidiaries. The notes will be redeemable at our option beginning August 1, 2010 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any. Holders of the notes will have the right to require us to repurchase all or some of their notes at a purchase price equal to 100% of their principal amount of the notes, plus accrued and unpaid interest, if any, on August 1, 2008, August 1, 2010, August 1, 2013 and August 1, 2018. In addition, holders of the notes will have the right to require us to repurchase all or some of their notes upon the occurrence of certain events constituting a fundamental change. On any required repurchase, we may choose to pay the purchase price in cash or shares of Vishay common stock or any combination of cash and Vishay common stock. The proceeds of the offering of these convertible subordinated notes were used to repay other outstanding debt, as well as general corporate purposes. The early extinguishment of the LYONs and the General Semiconductor notes, described below, resulted in a pretax loss of \$9.9 million in the third quarter of 2003. It is anticipated that the early extinguishment will reduce interest expense by \$3.5 million per year going forward.

We used approximately \$130 million of the proceeds of the offering of the convertible subordinated notes to repay amounts outstanding under our revolving credit facility. At the same time, we agreed with the lenders under this facility to an amendment and restatement of the agreement governing the facility. The maximum availability under the facility, in light of our anticipated liquidity needs, was changed from \$500 million to \$400 million, and the final maturity of the facility was extended from June 2005 to May 2007. The restatement decreases our minimum tangible net worth requirement to \$850 million plus 50% of net income (without offset for losses) and 75% of net proceeds of equity offerings from July 1, 2003, eliminates the covenant on minimum earnings before interest and tax, permits securitization of up to \$200 million of non-U.S. accounts receivable, allows for the release of all collateral (other than subsidiary stock and pledges by the Company and its subsidiaries of intercompany notes) under certain circumstances and creates an event of default upon the occurrence of a fundamental change as defined under our convertible subordinated notes. At December 31, 2003, there were no borrowings outstanding under this credit facility. Our tangible net worth at the end of 2003 stood at \$904 million, which is \$45 million more than the minimum required under the related credit facility covenant.

We used approximately \$97.4 million of the proceeds of the offering of the convertible subordinated notes to fund the purchase of approximately \$97.0 million accreted principal amount (\$165.0 million face amount) of our Liquid Yield Option(TM) Notes (LYONs). Pursuant to the terms of the LYONs, on June 4, 2004, the remaining holders of the LYONs will have the right to "put" these notes to us for an aggregate purchase price of \$235 million. Holders may also put these notes to us on June 4, 2006, June 4, 2011, and June 4, 2016 at various prices set forth in the notes. If these notes are put to us, we expect to be able to utilize our revolving credit facility or Vishay common stock to finance the repurchase.

We used approximately \$176.6 million of the proceeds of the offering of the convertible subordinated notes to fund principal and premium in connection with the redemption of all of the outstanding 5.75% convertible subordinated notes due 2006 of our General Semiconductor subsidiary. Prior to redemption, there was \$171 million principal amount of the General Semiconductor notes outstanding. The notes were redeemed at a price of 103.286% of their principal amount, plus accrued but unpaid interest to the date of redemption of \$2.3 million.

## Commercial Commitments

We maintain a secured revolving credit facility of \$400 million. As of December 31, 2003, we had no amounts outstanding under the revolving credit facility. Letters of credit totaling \$6.1 million, were issued under the revolving credit facility at December 31, 2003. At December 31, 2003, \$393.9 million was available under the credit facility.

Borrowings under the revolving credit facility are secured by pledges of stock in certain significant subsidiaries and certain guarantees by significant subsidiaries. The subsidiaries would be required to perform under the guarantees in the event that Vishay failed to make principal or interest payments under the revolving credit facility. If any subsidiary were to borrow under the credit facility, Vishay would provide a similar guarantee with respect to the subsidiary. The credit facility restricts us from paying cash dividends and requires us to comply with other covenants, including the maintenance of specific financial ratios.

At December 31, 2003, we had committed and uncommitted short-term credit lines with various U.S. and foreign banks aggregating approximately \$69 million, of which approximately \$51 million was unused.

## Contractual Commitments

As of December 31, 2003 we had contractual obligations as follows:

Payments due by period

(in thousands)

	Total -----	Less than 1 year -----	1-3 years -----	4-5 years -----	After 5 years -----
Long-term debt	\$ 837,888	\$ 1,282	\$ 1,569	\$ 833	\$834,204
Operating leases	75,250	24,106	32,779	14,774	3,591
Expected pension funding	10,000	10,000	-	-	-
Estimated costs to complete construction in progress	14,500	14,500	-	-	-
Tantalum purchases	280,500	103,800	176,700	-	-
<b>Total</b>	<b>\$1,218,138</b>	<b>\$ 153,688</b>	<b>\$211,048</b>	<b>\$ 15,607</b>	<b>\$837,795</b>

Pursuant to the terms of the Liquid Yield Option(TM) Notes (LYONs), on June 4, 2004, the remaining holders of the LYONs will have the right to "put" these notes to us for an aggregate purchase price of \$235 million. Holders may also put these notes to us on June 4, 2006, June 4, 2011, and June 4, 2016 at various prices set forth in the notes. If these notes are put to us, we expect to be able to utilize our revolving credit facility or Vishay common stock to finance the repurchase.

On December 31, 2003, the Company and Siliconix announced the signing of a memorandum of understanding with Tower Semiconductor for a long-term manufacturing and supply arrangement between Siliconix and Tower. Pursuant to the terms of the memorandum of understanding, Siliconix would place with Tower orders valued at approximately \$200 million for the purchase of semiconductor wafers to be manufactured in Tower's Fab 1 over a seven to ten year period, of which approximately \$53 million would be guaranteed and would be delivered over the three year period starting at the first anniversary of the definitive agreement. Siliconix would advance to Tower \$20 million to be used for the purchase of additional equipment required to satisfy Siliconix's orders, which would be credited towards the purchase price of the wafers. The transaction is subject to the approval of both companies' boards of directors, Tower's lending bank and the Israeli investment center and to the negotiation of definitive documentation. While there can be no assurances that a definitive agreement will be reached, Vishay and Siliconix expect a definitive agreement to be signed during the first half of 2004. If a definitive agreement is not reached, Vishay and Siliconix will have no commitments related to this memorandum of understanding.

## Inflation

Normally, inflation does not have a significant impact on our operations as our products are not generally sold on long-term contracts. Consequently, we can adjust our selling prices, to the extent permitted by competition, to reflect cost increases caused by inflation.

## Recent Accounting Pronouncements

In November 2002, the Emerging Issues Task Force (EITF) issued EITF Issue No. 00-21, Revenue Arrangements with Multiple Deliverables, which provides guidance on the timing and method of revenue recognition for sales arrangements that include the delivery of more than one product or service. EITF 00-21 is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF 00-21 did not have a material impact on our consolidated financial statements.

In April 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. In addition to other technical provisions, this statement rescinds SFAS No. 4, which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of tax. The provisions of SFAS No. 145 were adopted on January 1, 2003. Our early extinguishment of debt in 2003 was accounted for and presented in our financial statements pursuant to the requirements of SFAS No. 145.

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This statement nullifies EITF Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than at the date of an entity's commitment to an exit plan. The provisions of SFAS No. 146 were adopted for our exit or disposal activities initiated after December 31, 2002.

In November 2002, the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34 ("FIN 45"). The interpretation requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that obligation. This interpretation is intended to improve the comparability of financial reporting by requiring identical accounting for guarantees issued with separately identified consideration and guarantees issued without separately identified consideration. The recognition and measurement provisions of FIN 45 are applicable to guarantees issued or modified after December 31, 2002. The future impact will depend upon whether Vishay enters into or modifies any material guarantee arrangements.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. We have made the additional disclosures required by SFAS No. 148. We are evaluating the potential impact of adopting the fair value method of accounting for our stock-based employee compensation.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), Consolidation of Variable Interest Entities, an interpretation of ARB 51. The primary objectives of this interpretation are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights ("variable interest entities") and how to determine when and which business enterprise (the "primary beneficiary") should consolidate the variable interest entity. This new model for consolidation applies to an entity in which either (i) the equity investors (if any) do not have a controlling financial interest; or (ii) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. In addition, FIN 46 requires that the primary beneficiary, as well as all other enterprises with a significant variable interest in a variable interest entity, make additional disclosures. Certain disclosure requirements of FIN 46 were effective for financial statements issued after January 31, 2003. In December 2003, the FASB issued FIN 46 (revised December 2003), Consolidation of Variable Interest Entities ("FIN 46-R") to address certain FIN 46 implementation issues. The effective dates and impact of FIN 46 and FIN 46-R are as follows: (i) Special-purpose

entities ("SPEs") created prior to February 1, 2003: We must apply either the provisions of FIN 46 or early adopt the provisions of FIN 46-R at the end of the first interim or annual reporting period ending after December 15, 2003. (ii) Non-SPEs created prior to February 1, 2003: We are required to adopt FIN 46-R at the end of the first interim or annual reporting period ending after March 15, 2004. (iii) All entities, regardless of whether an SPE, that were created subsequent to January 31, 2003: The provisions of FIN 46 were applicable for variable interests in entities obtained after January 31, 2003. The adoption of the provisions applicable to SPEs and all other variable interests obtained after January 31, 2003 did not have a material impact on our financial position, results of operations, or liquidity. We do not expect the adoption of FIN 46-R provisions applicable to Non-SPEs created prior to February 1, 2003, to have a material impact on our financial position, results of operations or liquidity.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, which is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30. The guidance is to be applied prospectively. The adoption of this standard did not have a material impact on our financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. The Standard specifies that instruments within its scope embody obligations of the issuer and that, therefore, the issuer must classify them as liabilities. We have not issued any such financial instruments.

In December 2003, the FASB issued a revision to SFAS No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits. The revised standard retains the disclosure requirement contained in the original standard and requires additional disclosures about the assets, obligations, cash flows and net period cost of defined pension plans and other defined benefit postretirement plans. We adopted the disclosure requirements required by SFAS No. 132 (revised 2003) for our U.S. pension and other postretirement plans. As permitted by SFAS No. 132, certain disclosures regarding non-U.S. pension plans and estimated future benefit payments for both U.S. and non-U.S. pension and other postretirement benefit plans will be delayed until 2004.

#### Safe Harbor Statement

From time to time, information provided by us, including but not limited to statements in this report, or other statements made by or on our behalf, may contain "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve a number of risks, uncertainties and contingencies, many of which are beyond our control, which may cause actual results, performance or achievements to differ materially from those anticipated. Set forth below are important factors that could cause our results, performance or achievements to differ materially from those in any forward-looking statements made by us or on our behalf.

#### Factors related to our business generally

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Our business is cyclical and the recent decline in demand in the electronic component industry may resume and may become more pronounced.

We and others in the electronic and semiconductor component industry have for the past several years experienced a decline in product demand on a global basis, resulting in order cancellations and deferrals, lower average selling prices, and a material and adverse impact on our results of operations. This decline was primarily attributable to a slowing of growth in the personal computer and cellular telephone product markets. We have seen indications of improvements in the economy and electronic and semiconductor component industry and expect improvements in 2004. However, such improvements in the economy and the electronic and semiconductor component industry may not materialize. The slowdown may resume and may become more pronounced. A slowdown in demand, as well as recessionary trends in the global economy, makes it more difficult for us to predict our future sales, which also makes it more difficult to manage our operations, and could adversely impact our results of operations.

We have incurred and may continue to incur restructuring costs.

To remain competitive, particularly when business conditions are difficult, we attempt to reduce our cost structure through restructuring activities. This includes acquisition-related restructuring, where we attempt to streamline the operations of companies we acquire and achieve synergies between our acquisitions and our existing business. It also includes restructuring our existing businesses, where we seek to eliminate redundant facilities and staff positions and move operations, where possible, to jurisdictions with lower labor costs. In 2002, we recorded restructuring costs of approximately \$48 million related to acquisitions and \$31 million related to our existing businesses. We incurred approximately \$29.6 million of additional restructuring and severance costs in 2003 and expect to continue to incur such expenses during 2004.

In the past we have grown through acquisitions but this may not continue.

Our long-term historical growth in revenues and net earnings has resulted in large part from our strategy of expansion through acquisitions. We cannot assure you, however, that we will identify or successfully complete transactions with suitable acquisition candidates in the future. We also cannot assure you that acquisitions that we complete in the future will be successful. If an acquired business fails to operate as anticipated or cannot be successfully integrated with our other businesses, our results of operations, enterprise value, market value and prospects could all be materially and adversely affected.

Our debt levels have recently increased, which could adversely affect the perception in the financial markets of our financial condition.

Our outstanding debt increased from approximately \$141 million at the end of 2000 to approximately \$838 million at the end of 2003. The marketplace could react negatively to our current debt levels which in turn could affect our share price and also make it more difficult for us to obtain financing in the future.

In June 2004, holders of our Liquid Yield Option(TM) Notes (LYONs) will have the right to "put" these notes to us at an aggregate price of approximately \$235 million. We believe that, if necessary, we will have adequate cash resources to finance the purchase of any LYONs that are put to us. Also, we may elect to pay all or part of the purchase price for the LYONs that are put to us in shares of our common stock. Nevertheless, our obligation to purchase the LYONs in June 2004 could be a cause of concern in the financial markets.

To remain successful, we must continue to innovate.

Our future operating results are dependent on our ability to continually develop, introduce and market new and innovative products, to modify existing products, to respond to technological change and to customize certain products to meet customer requirements. There are numerous risks inherent in this process, including the risks that we will be unable to anticipate the direction of technological change or that we will be unable to develop and market new products and applications in a timely fashion to satisfy customer demands. If this occurs, we could lose customers and experience adverse effects on our financial condition and results of operations.

Future acquisitions could require us to issue additional indebtedness or equity.

If we were to undertake a substantial acquisition for cash, the acquisition would likely need to be financed in part through bank borrowings or the issuance of public or private debt. This acquisition financing would likely decrease our ratio of earnings to fixed charges and adversely affect other leverage criteria. Under our existing credit facility, we are required to obtain the lenders' consent for certain additional debt financing and to comply with other covenants including the application of specific financial ratios. We are also restricted from paying cash dividends on our capital stock. We cannot assure you that the necessary acquisition financing would be available to us on acceptable terms when required. If we were to undertake an acquisition for equity, the acquisition may have a dilutive effect on the interests of the holders of our common stock.

Our results are sensitive to raw material availability, quality and cost.

Many of our products require the use of raw materials that are produced in only a limited number of regions around the world, may be available from only a limited number of suppliers, and may be subject to price volatility. We are a major consumer of the world's annual production of tantalum. Tantalum, a metal purchased in powder or wire form, is the principal material used in the manufacture of tantalum capacitors. There are currently three major suppliers that process tantalum ore into capacitor grade tantalum powder. We also utilize palladium, a metal used to produce multi-layered ceramic capacitors, which is currently found primarily in South Africa and Russia. Palladium is a commodity product subject to price volatility. Our results of operations may be materially and adversely affected if we have difficulty obtaining these raw materials, the quality of available raw materials deteriorates or there are significant price increases for these raw materials. For periods in which the prices of these raw materials are rising, we may be unable to pass on the increased cost to our customers which would result in decreased margins for the products in which they are used. For periods in which the prices are declining, we may be required to write down our inventory carrying cost of these raw materials, since we record our inventory at the lower of cost or market. Depending on the extent of the difference between market price and our carrying cost, this write-down could have a material adverse effect on our net earnings. We recorded write-downs of our tantalum inventory in these years of \$52.0 million, \$25.7 million, and \$5.4 million in 2001, 2002, and 2003 respectively, and write-downs of our palladium inventory in these years of \$18.0 million, \$1.7 million, and \$1.6 million, respectively. Also, we took charges against our contractual commitments to purchase tantalum of \$106.0 million and \$11.4 million in 2002 and 2003, respectively.

From time to time there have been short-term market shortages of raw materials. While these shortages have not historically adversely affected our ability to increase production of products containing tantalum and palladium, they have historically resulted in higher raw material costs for us. We cannot assure you that any of these market shortages in the future would not adversely affect our ability to increase production, particularly during periods of growing demand for our products.

Our backlog is subject to customer cancellation.

As of December 31, 2003, our backlog was \$532 million. Many of the orders that comprise our backlog may be canceled by our customers without penalty. Our customers may on occasion double and triple order components from multiple sources to ensure timely delivery when backlog is particularly long. They often cancel orders when business is weak and inventories are excessive, a situation that we have experienced in the recent economic slowdown. Therefore, we cannot be certain the amount of our backlog does not exceed the level of orders that will ultimately be delivered. Our results of operations could be adversely impacted if customers cancel a material portion of orders in our backlog.

We face intense competition in our business, and we market our products to an increasingly concentrated group of customers.

Our business is highly competitive worldwide, with low transportation costs and few import barriers. We compete principally on the basis of product quality and reliability, availability, customer service, technological innovation, timely delivery and price. The electronics components industry has become increasingly concentrated and globalized in recent years and our major competitors, some of which are larger than us, have significant financial resources and technological capabilities.

Our customers have become increasingly concentrated in recent years, and as a result, their buying power has increased and they have had greater ability to negotiate favorable pricing. This trend has adversely affected our average selling prices, particularly for commodity components.



We may not have adequate facilities to satisfy future increases in demand for our products.

Our business is cyclical and in periods of a rising economy, we may experience intense demand for our products. During such periods, we may have difficulty expanding our manufacturing to satisfy demand. Factors which could limit such expansion include delays in procurement of manufacturing equipment, shortages of skilled personnel and capacity constraints at our facilities. If we are unable to meet our customers' requirements and our competitors sufficiently expand production, we could lose customers and/or market share. This loss could have an adverse effect on our financial condition and results of operations.

Future changes in our environmental liability and compliance obligations may harm our ability to operate or increase costs.

Our manufacturing operations, products and/or product packaging are subject to environmental laws and regulations governing air emissions, wastewater discharges, the handling, disposal and remediation of hazardous substances, wastes and certain chemicals used or generated in our manufacturing processes, employee health and safety labeling or other notifications with respect to the content or other aspects of our processes, products or packaging, restrictions on the use of certain materials in or on design aspects of our products or product packaging and responsibility for disposal of products or product packaging. We establish reserves for specifically identified potential environmental liabilities which we believe are adequate. Nevertheless, we often unavoidably inherit certain pre-existing environmental liabilities, generally based on successor liability doctrines. Although we have never been involved in any environmental matter that has had a material adverse impact on our overall operations, there can be no assurance that in connection with any past or future acquisition we will not be obligated to address environmental matters that could have a material adverse impact on our operations. In addition, more stringent environmental regulations may be enacted in the future, and we cannot presently determine the modifications, if any, in our operations that any such future regulations might require, or the cost of compliance with these regulations. In order to resolve liabilities at various sites, we have entered into various administrative orders and consent decrees, some of which may be, under certain conditions, reopened or subject to renegotiations.

Our products may experience a reduction in product classification levels under various military specifications.

We have qualified certain of our products under various military specifications, approved and monitored by the United States Defense Electronic Supply Center, and under certain European military specifications. These products are assigned certain classification levels. In order to maintain the classification level of a product, we must continuously perform tests on the product and the results of these tests must be reported to governmental agencies. If any of our products fails to meet the requirements of the applicable classification level, that product's classification may be reduced to a lower level. A decrease in the classification level for any of our products with a military application could have an adverse impact on the net sales and earnings attributable to that product.

Factors relating to Vishay's operations outside the United States

We obtain substantial benefits by operating in Israel, but these benefits may not continue.

We have increased our operations in Israel over the past several years. The low tax rates in Israel applicable to earnings of our operations in that country, compared to the rates in the United States, have had the effect of increasing our net earnings, although this was not the case in 2003 and 2002. Also, we have benefited from employment incentive grants made by the Israeli government. Recently, the Israeli government suspended payment on one of these grants after we were forced to lay off a significant number of employees as a result of the current economic downturn. Although we reached agreement with the Israeli government to resume payment on this grant, there can be no assurance that we will maintain our eligibility for this or other existing project grants. There can also be no assurance in the future the Israeli government will continue to offer new grant and tax incentive programs applicable to us or that, if it does, such programs will provide the same level of benefits we have historically received or that we will continue to be eligible to take advantage of them. Any significant increase in the Israeli tax rates or reduction or elimination of the Israeli grant programs that have benefited us could have an adverse impact on our results of operations.

We attempt to improve profitability by operating in countries in which labor costs are low, but the shift of operations to these regions may entail considerable expense.

Our strategy is aimed at achieving significant production cost savings through the transfer and expansion of manufacturing operations to and in countries with lower production costs, such as Israel, Mexico, Portugal, the Czech Republic, Malaysia, the Republic of China (Taiwan) and the People's Republic of China. In this process, we may experience under-utilization of certain plants and factories in high labor cost regions and capacity constraints in plants and factories located in low labor cost regions. This under-utilization may result initially in production inefficiencies and higher costs. These costs include those associated with compensation in connection with work force reductions and plant closings in the higher labor cost regions, and start-up expenses, manufacturing and construction delays, and increased depreciation costs in connection with the initiation or expansion of production in lower labor cost regions.

As we implement transfers of certain of our operations we may experience strikes or other types of labor unrest as a result of lay-offs or termination of our employees in high labor cost countries.

We are subject to the risks of political, economic and military instability in countries outside the United States in which we operate.

We have operations outside the United States, and approximately 74% of our revenues during 2003 were derived from sales to customers outside the United States. Some of the countries in which we operate have in the past experienced and may continue to experience political, economic and military instability or unrest. These conditions could have an adverse impact on our ability to operate in these regions and, depending on the extent and severity of these conditions, could materially and adversely affect our overall financial condition and operating results. In particular, current tensions in the Middle East could adversely affect our business operations in Israel and elsewhere.

Our business was affected by the outbreak of SARS in 2003 and the effects of that outbreak may linger.

The outbreak of severe acute respiratory syndrome, or SARS, that began in the People's Republic of China adversely affected our business during the first six months of 2003, particularly in Asia where we derived approximately 36% and 38% of our revenue in 2003 and 2002, respectively. This impact included disruptions in the operations of our customers, a slowdown in customer orders and reduced sales in certain end markets. If an outbreak of SARS or like disease were to recur on a comparable scale in Asia, we could experience similar disruptions to our business.

#### General Economic and Business Factors

In addition to the factors relating specifically to our business, a variety of other factors relating to general conditions could cause actual results, performance, or achievements to differ materially from those expressed in any of our forward-looking statements. These factors include:

- o overall economic and business conditions;
- o competitive factors in the industries in which we conduct our business;
- o changes in governmental regulation;
- o changes in tax requirements, including tax rate changes, new tax laws, and revised tax law interpretations;
- o changes in generally accepted accounting principles or interpretations of those principles by governmental agencies and self-regulatory groups;
- o interest rate fluctuations, foreign currency rate fluctuations, and other capital market conditions; and
- o economic and political conditions in international markets, including governmental changes and restrictions on the ability to transfer capital across borders.

Also, we operate in a continually changing business environment, and new factors emerge from time to time. Other unknown and unpredictable factors also could have material adverse effects on our future results, performance, or achievements.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Disclosure

Our cash flows and earnings are subject to fluctuations resulting from changes in foreign currency exchange rates and interest rates. We manage our exposure to these market risks through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. Our policies do not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. We do not use financial instruments for trading purposes and we are not a party to any leveraged derivatives. We monitor our underlying market risk exposures on an ongoing basis and believe that we can modify or adapt our hedging strategies as needed.

We are exposed to changes in U.S. dollar LIBOR interest rates on our floating rate revolving credit facility. At December 31, 2003, there were no amounts outstanding under this facility. On a selective basis, we from time to time enter into interest rate swap or cap agreements to reduce the potential negative impact increases in interest rates could have on our outstanding variable rate debt. The impact of interest rate instruments on our results of operations in each of the three years ended December 31, 2003, 2002 and 2001 was not significant. See Notes 6 and 14 to our consolidated financial statements for components of our long-term debt and interest rate swap arrangements.

In August 1998, we entered into six interest rate swap agreements with a total notional amount of \$300 million to manage interest rate risk related to our multicurrency revolving line of credit. As of December 31, 2002, five of these six agreements had been terminated. The remaining agreement had a notional amount of \$100 million and required us to make payments to the counterparty at variable rates based on USD-LIBOR-BBA rates. This agreement expired in 2003. At December 2002 and 2001, we paid a weighted average fixed rate of 5.77% and received a weighted average variable rate of 1.40% and 1.93%, respectively. The fair value of our interest rate swap agreements, based on current market rates, approximated a net payable of \$3.3 million at December 31, 2002. During the year ended December 31, 2003, we had a pre-tax gain of approximately \$3.8 million related to the expiration of the final swap agreement. During the years ended December 31, 2002 and 2001, we recorded pre-tax losses of \$3.7 million and \$0.1 million, respectively, relating to an ineffective hedge for a portion of time relating to an interest rate swap agreement (see Note 14 to our consolidated financial statements).

Foreign Exchange Risk

We are exposed to foreign currency exchange rate risks. Our significant foreign subsidiaries are located in Germany, France, Israel and Asia. In most locations, we have introduced a "netting" policy where subsidiaries pay all intercompany balances within thirty days. As of December 31, 2003, we did not have any outstanding foreign currency forward exchange contracts.

In the normal course of business, our financial position is routinely subjected to a variety of risks, including market risks associated with interest rate movements, currency rate movements on non-U.S. dollar denominated assets and liabilities and collectibility of accounts receivable.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
-----

The following Consolidated Financial Statements of the Company and our subsidiaries, together with the report of independent auditors thereon, are presented under Item 15 of this report:

Report of Independent Auditors.

Consolidated Balance Sheets -- December 31, 2003 and 2002.

Consolidated Statements of Operations -- for the years ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Cash Flows -- for the years ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Stockholders' Equity -- for the years ended December 31, 2003, 2002 and 2001.

Notes to Consolidated Financial Statements.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND  
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FINANCIAL DISCLOSURE  
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None.

Item 9A. DISCLOSURE CONTROLS AND PROCEDURES  
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An evaluation was performed under the supervision and with the participation of our management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective as of the end of the fourth quarter of 2003, including for purposes of ensuring that all material information required to be filed in this report has been made known to the Company's management, including the CEO and CFO, in a timely fashion.

There has not been any change in our internal controls over financial reporting during the fourth quarter of fiscal 2003 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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We have a code of ethics applicable to our chief executive officer, chief financial officer, principal accounting officer or controller and financial managers. The text of this code has been posted on our website. To view the code, go to our website at [www.vishay.com](http://www.vishay.com), click on Company Info, then Investor Relations and then Corporate Governance. You can obtain a printed copy of this code, free of charge, by contacting us at the following address:

Corporate Investor Relations  
Vishay Intertechnology, Inc  
63 Lincoln Highway  
Malvern, PA 19355-2143

It is the intention of the Company to satisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or a waiver from, a provision of this code by posting such information on our website, at the aforementioned address and location.

Information required under this Item with respect to our Executive Officers is set forth in Part I, Item 4A hereof under the caption, "Executive Officers of the Registrant."

Other information required under this Item is contained in our definitive proxy statement, which will be filed within 120 days of December 31, 2003, our most recent fiscal year, and is incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION

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Information required under this Item is contained in our definitive proxy statement, which will be filed within 120 days of December 31, 2003, our most recent fiscal year, and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table sets forth certain equity compensation plan information, as of December 31, 2003, with respect to both equity compensation plans approved by security holders and equity compensation plans not approved by security holders.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders:			
1997 Stock Option Program(1)	2,159,000	\$12.51	-
1998 Stock Option Program(1)	2,820,000	\$15.63	1,143,000
General Semiconductor Stock Plan(2)	3,789,000	\$18.65	-
Subtotal	8,768,000	\$16.17	1,143,000
Equity compensation plans not approved by security holders:			
None	-	-	-
Subtotal	8,768,000	\$16.17	1,143,000
Total	8,768,000	\$16.17	1,143,000

(1) See Note 12 to our consolidated financial statements for further description of these plans.

(2) The General Semiconductor Stock Plan was assumed in the Company's acquisition of General Semiconductor Inc. on November 2, 2001. See Note 12 to our consolidated financial statements for further description of this plan.

Security Ownership of Certain Beneficial Owners and Management

Information required under this caption is contained in our definitive proxy statement, which will be filed within 120 days of December 31, 2003, our most recent fiscal year, and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS  
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Information required under this Item is contained in our definitive proxy statement, which will be filed within 120 days of December 31, 2003, our most recent fiscal year, and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANTS FEES AND SERVICES  
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Information required under this Item is contained in our definitive proxy statement, which will be filed within 120 days of December 31, 2003, our most recent fiscal year, and is incorporated herein by reference.

PART IV  
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Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K  
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(a) (1) All Consolidated Financial Statements of the Company and its subsidiaries for the year ended December 31, 2003 are filed herewith. See Item 8 of this Report for a list of such financial statements.

(2) All financial statement schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(3) Exhibits -- See response to paragraph (c) below.

(b) Reports on Form 8-K:

(1) On October 29, 2003, the Company filed a current report under Item 12 of Form 8-K, reporting the financial results of the Company for the quarter and nine-months ended September 30, 2003.

(c) Exhibits:

- 2.1 Agreement and Plan of Merger, dated as of July 31, 2001, by and among Vishay Intertechnology, Inc., Vishay Acquisition Corp., and General Semiconductor, Inc. Incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus forming a part of the Registration Statement on Form S-4 (No. 333-69004) filed on September 6, 2001.
- 2.2 Share Sale and Purchase Agreement between Phoenix Acquisition Company S.ar.l; Other Investors (as defined); Mezzanine Lenders (as defined); Vishay Intertechnology, Inc.; Vishay Europe GmbH; and BCcomponents International B.V., dated as of November 10, 2002. Incorporated by reference to Exhibit 2.1 to Form 8-K File filed December 23, 2002.
- 2.3 Amendment to the Share Sale and Purchase Agreement between Phoenix Acquisition Company S.ar.l; Other Investors (as defined); Mezzanine Lenders (as defined); Vishay Intertechnology, Inc.; Vishay Europe GmbH; and BCcomponents International B.V., dated as of December 4, 2002. Incorporated by reference to Exhibit 2.2 to Form 8-K File filed December 23, 2002.
- 3.1 Composite Amended and Restated Certificate of Incorporation of the Company dated August 3, 1995. Incorporated by reference to Exhibit 3.1 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 1995 (the "1995 Form 10-Q"). Certificate of Amendment of Composite Amended and Restated Certificate of Incorporation of the Company. Incorporated by reference to Exhibit 3.1 to Form 10-Q for the quarter ended June 30, 1997 (the "1997 Form 10-Q"). Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Company. Incorporated by reference to Exhibit 3.1 to Form 8-K File filed November 13, 2001.

- 3.2 Amended and Restated Bylaws of Registrant. Incorporated by reference to Exhibit 3.1 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2001.
- 4.1 Indenture dated as of June 4, 2001 between Vishay Intertechnology, Inc. and Bank of New York as Trustee. Incorporated by reference to Exhibit 4.1 to the Company's current report on Form 8-K filed on June 18, 2001 except that clause (x) of Section 5 thereof is corrected to read "(x) 0.0625% of the average LYON Market Price for the Five Day Period with respect to such Contingent Interest Period and".
- 4.2 Indenture, dated as of August 6, 2003, by and between Vishay Intertechnology, Inc. and Wachovia Bank, National Association. Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (No. 333-110259) filed on November 5, 2003.
- 10.1 Vishay Intertechnology Section 162(m) Cash Bonus Plan. Incorporated by reference to Annex to the Company's Proxy Statement, dated April 21, 2003, for its 2003 Annual Meeting of Stockholders.
- 10.2 Second Amendment to Amended and Restated Vishay Intertechnology, Inc. Long Term Revolving Credit Agreement and Consent, made as of July 31, 2003, by and among Vishay Intertechnology, Inc., the Permitted Borrowers (as defined), the Lenders signatory thereto and Comerica Bank, as Co-lead Arranger Co-Book Running Manager and Administrative agent, et al.
- 10.3 Employment Agreement, dated as of March 15, 1985, between the Company and Dr. Felix Zandman. Incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-2 (No. 33-13833).
- 10.4 Vishay Intertechnology, Inc. 1997 Stock Option Program. Incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A filed April 16, 1998.
- 10.5 Vishay Intertechnology, Inc. 1998 Stock Option Program. Incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A filed April 16, 1998.
- 10.6 General Semiconductor, Inc. Amended and Restated 1998 Long-Term Incentive Plan as amended on February 7, 2001. Incorporated by reference to Exhibit 10.9 to General Semiconductor's annual report on Form 10-K for the year ended December 31, 2000.
- 10.8 Money Purchase Plan Agreement of Measurements Group, Inc. Incorporated by reference to Exhibit 10(a)(6) to Amendment No. 1 to the Company's Registration Statement on Form S-7 (No. 2-69970).
- 10.9 Agreement Amending Supply Agreements among Cabot Corporation through its Cabot Performance Materials Division, Vishay Sprague, Inc. and Vishay Intertechnology, Inc. dated as of June 6, 2002. Incorporated by reference to Exhibit 10.10 to the Company's annual report on Form 10-K for the year ended December 31, 2002.
- 10.10 Severance and General Release Agreement, dated November 4, 2003, between the Company and Avi D. Eden.
- 10.11 Consulting and Non-Competition Agreement, dated November 4, 2003, between the Company and Avi D. Eden.
- 21 Subsidiaries of the Registrant.
- 23.1 Consent of Independent Auditors.



- 31.1 Certification pursuant to Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Dr. Felix Zandman, Chief Executive Officer
- 31.2 Certification pursuant to Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Richard N. Grubb, Chief Financial Officer
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Dr. Felix Zandman, Chief Executive Officer
- 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Richard N. Grubb, Chief Financial Officer

SIGNATURES

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Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

VISHAY INTERTECHNOLOGY, INC.

March 15, 2004                    /s/ Felix Zandman  
-----  
Felix Zandman, Chairman  
of the Board and Chief  
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this amended report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated below.

March 15, 2004                    /s/ Felix Zandman  
-----  
Felix Zandman, Chairman  
of the Board and Chief  
Executive Officer  
(Principal Executive Officer)

March 15, 2004                    /s/ Richard N. Grubb  
-----  
Richard N. Grubb, Executive  
Vice President, Treasurer, and  
Chief Financial Officer  
(Principal Financial and  
Accounting Officer)

March 15, 2004                    /s/ Marc Zandman  
-----  
Marc Zandman, Vice-Chairman  
of the Board, President-Vishay  
Israel Ltd.

March 15, 2004                    /s/ Gerald Paul  
-----  
Gerald Paul, Director, President  
and Chief Operating Officer

March 15, 2004                    /s/ Phillipe Gazeau  
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Phillipe Gazeau, Director

March 15, 2004                    /s/ Zvi Grinfas  
-----  
Zvi Grinfas, Director

March 15, 2004 /s/ Eli Hurvitz  
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Eli Hurvitz, Director

March 15, 2004 /s/ Abraham Ludomirski  
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Abraham Ludomirski, Director

March 15, 2004 /s/ Edward B. Shils  
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Edward B. Shils, Director

March 15, 2004 /s/ Ziv Shoshani  
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Ziv Shoshani, Director

March 15, 2004 /s/ Mark I. Solomon  
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Mark I. Solomon, Director

March 15, 2004 /s/ Jean-Claude Tine  
-----  
Jean-Claude Tine, Director

March 15, 2004 /s/ Ruta Zandman  
-----  
Ruta Zandman, Director

Vishay Intertechnology, Inc.  
Consolidated Financial Statements  
Years ended December 31, 2003, 2002, and 2001

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Report of Independent Auditors

Board of Directors and Stockholders  
Vishay Intertechnology, Inc.

We have audited the accompanying consolidated balance sheets of Vishay Intertechnology, Inc. as of December 31, 2003 and 2002, and the related consolidated statements of operations, cash flows, and stockholders' equity for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Vishay Intertechnology, Inc. at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the consolidated financial statements, in 2002 the Company changed its method of accounting for goodwill.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania  
February 5, 2004

Vishay Intertechnology, Inc.

Consolidated Balance Sheets

(In thousands, except per share and share amounts)

	December 31	
	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 555,540	\$ 339,938
Accounts receivable, less allowances of \$13,704 and \$18,172	374,240	343,511
Inventories:		
Finished goods	171,447	219,769
Work in process	154,532	142,846
Raw materials	189,413	191,451
Deferred income taxes	48,471	47,297
Prepaid expenses and other current assets	143,610	188,881
Total current assets	1,637,253	1,473,693
Property and equipment - at cost:		
Land	110,021	118,000
Buildings and improvements	375,178	339,869
Machinery and equipment	1,644,270	1,609,931
Construction in progress	85,169	61,830
	2,214,638	2,129,630
Less allowances for depreciation	(994,843)	(854,780)
	1,219,795	1,274,850
Goodwill	1,466,714	1,356,293
Other intangible assets	128,955	122,417
Other assets	119,796	87,906
Total assets	<u>\$ 4,572,513</u>	<u>\$ 4,315,159</u>

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	December 31	
	2003	2002
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Liabilities and stockholders' equity		
Current liabilities:		
Notes payable to banks	\$ 17,511	\$ 18,161
Trade accounts payable	158,182	123,999
Payroll and related expenses	111,842	103,184
Other accrued expenses	288,432	303,609
Income taxes	10,112	8,734
Current portion of long-term debt	1,282	18,550
	<hr style="border-top: 1px dashed black;"/>	
Total current liabilities	587,361	576,237
Long-term debt less current portion	836,606	706,316
Deferred income taxes	35,036	52,935
Deferred income	27,659	42,345
Other liabilities	248,652	266,893
Accrued pension and other post retirement costs	239,950	235,661
Minority interest	83,215	75,985
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, par value \$1.00 per share: authorized - 1,000,000 shares; none issued		
Common Stock, par value \$.10 per share: authorized - 300,000,000 shares; 144,668,594 and 144,297,101 shares outstanding after deducting 332,850 shares in treasury	14,467	14,429
Class B convertible Common Stock, par value \$.10 per share: authorized - 40,000,000 shares; 15,382,296 and 15,383,581 shares outstanding after deducting 279,453 shares in treasury	1,538	1,538
Capital in excess of par value	1,918,785	1,910,994
Retained earnings	550,196	523,354
Unearned compensation	(306)	(413)
Accumulated other comprehensive income (loss)	29,354	(91,115)
	<hr style="border-top: 1px dashed black;"/>	
Total stockholders' equity	2,514,034	2,358,787
	<hr style="border-top: 1px dashed black;"/>	
Total liabilities and stockholders' equity	\$ 4,572,513	\$ 4,315,159
	<hr style="border-top: 3px double black;"/>	

See accompanying notes.

Vishay Intertechnology, Inc.

Consolidated Statements of Operations

(In thousands, except per share and share amounts)

	Year ended December 31		
	2003	2002	2001
Net sales	\$ 2,170,597	\$ 1,822,813	\$ 1,655,346
Costs of products sold	1,690,267	1,454,540	1,273,827
Loss on long-term purchase commitments	11,392	106,000	--
Gross profit	468,938	262,273	381,519
Selling, general, and administrative expenses	381,406	311,251	278,171
Amortization of goodwill	--	--	11,190
Restructuring and severance costs	29,560	30,970	61,908
Purchased research and development	--	--	16,000
	57,972	(79,948)	14,250
Other income (expense):			
Interest expense	(37,831)	(28,761)	(16,848)
Gain on insurance claim	33,906	--	--
Loss on extinguishment of debt	(9,910)	--	--
Other	2,289	8,664	12,701
	(11,546)	(20,097)	(4,147)
Earnings (loss) before income taxes (benefit) and minority interest	46,426	(100,045)	10,103
Income tax provision (benefit)	11,528	(16,900)	5,695
Minority interest	8,056	9,469	3,895
Net earnings (loss)	\$ 26,842	\$ (92,614)	\$ 513
Basic earnings (loss) per share	\$ 0.17	\$ (0.58)	\$ 0.00
Diluted earnings (loss) per share	\$ 0.17	\$ (0.58)	\$ 0.00
Weighted average shares outstanding:			
Basic	159,631,000	159,413,000	141,171,000
Diluted	160,443,000	159,413,000	142,514,000

See accompanying notes.



Vishay Intertechnology, Inc.  
Consolidated Statements of Cash Flows  
(In thousands)

	Year ended December 31		
	2003	2002	2001
<hr/>			
Operating activities			
Net earnings (loss)	\$ 26,842	\$ (92,614)	\$ 513
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	194,055	180,748	163,387
Loss (gain) on disposal of property and equipment	2,521	296	(1,472)
Minority interest in net earnings of consolidated subsidiaries	8,056	9,469	3,895
Purchased research and development	--	--	16,000
Noncash (credit) charge for change in fair value of interest rate swap	(3,783)	115	3,668
Accretion of interest on convertible debentures	8,396	9,325	5,313
Write-downs of tantalum and palladium	6,991	27,400	70,000
Inventory write-offs for obsolescence	54,285	37,120	29,670
Gain on insurance claim	(33,906)	--	--
Loss on extinguishment of debt	9,910	--	--
Asset impairment charges included in restructuring costs	1,014	12,363	20,974
Loss on long-term purchase commitments	11,392	106,000	--
Utilization of purchase commitment liability	(28,000)	--	--
Deferred grant income	(12,359)	(17,322)	(19,064)
Changes in operating assets and liabilities, net of effects of businesses acquired:			
Accounts receivable	(5,634)	102,322	120,095
Inventories	(30,448)	42,298	(93,632)
Prepaid expenses and other current assets	51,367	6,257	(7,321)
Accounts payable	25,474	455	(71,761)
Other current liabilities	(6,110)	(29,766)	(105,685)
Other	(24,307)	(27,595)	26,838
	<hr/>		
Net cash provided by operating activities	255,756	366,871	161,418
<hr/>			
Investing activities			
Purchases of property and equipment	(126,635)	(110,074)	(162,493)
Proceeds from sale of property and equipment	19,349	20,621	9,911
Purchases of businesses, net of cash acquired	(41,161)	(278,735)	(172,468)
	<hr/>		
Net cash used in investing activities	(148,447)	(368,188)	(325,050)
<hr/>			
Financing activities			
Net payments on revolving credit lines	(111,000)	(14,000)	(100,047)
Proceeds from long-term borrowings, net of issuance costs	484,206	201	294,511
Principal payments on long-term debt	(284,595)	(17,217)	(444)
Purchase of treasury stock	--	--	(850)
Proceeds from stock options exercised	4,740	3,161	854
Net changes in short-term borrowings	(316)	(10,452)	3,274
	<hr/>		
Net cash provided by (used in) financing activities	93,035	(38,307)	197,298
Effect of exchange rate changes on cash	15,258	12,447	(3,764)
	<hr/>		
Increase (decrease) in cash and cash equivalents	215,602	(27,177)	29,902
Cash and cash equivalents at beginning of year	339,938	367,115	337,213
	<hr/>		
Cash and cash equivalents at end of year	\$ 555,540	\$ 339,938	\$ 367,115
	<hr/>		

See accompanying notes.

Vishay Intertechnology, Inc.  
Consolidated Statements of Stockholders' Equity  
(In thousands, except share amounts)

	Common Stock	Class B Convertible Common Stock	Capital in Excess of Par Value	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
Balance at January 1, 2001	\$ 12,241	\$ 1,552	\$ 1,319,426	\$ 615,455	\$ (1,248)	\$ (113,571)	\$1,833,855
Net earnings	--	--	--	513	--	--	513
Foreign currency translation adjustment	--	--	--	--	--	(7,638)	(7,638)
Pension liability adjustment	--	--	--	--	--	(8,557)	(8,557)
Cumulative effect of adoption of SFAS No. 133	--	--	--	--	--	51	51
Loss on derivative financial instruments	--	--	--	--	--	(696)	(696)
Comprehensive loss							(16,327)
Stock issued (22,573 shares)	2	--	443	--	(446)	--	(1)
Stock options exercised (85,877 shares)	9	--	845	--	--	--	854
Conversions from Class B to common (21,917 shares)	2	(2)	--	--	--	--	--
Common stock repurchase (48,500 shares)	(5)	--	(846)	--	--	--	(851)
Tax effects relating to stock plan	--	--	423	--	--	--	423
Amortization of unearned compensation	--	--	--	--	773	--	773
Stock issued - General Semiconductor acquisition (21,305,127 shares)	2,131	--	497,688	--	--	--	499,819
Stock options issued - General Semiconductor acquisition	--	--	48,000	--	--	--	48,000
Balance at December 31, 2001	14,380	1,550	1,865,979	615,968	(921)	(130,411)	2,366,545
Net loss	--	--	--	(92,614)	--	--	(92,614)
Foreign currency translation adjustment	--	--	--	--	--	64,343	64,343
Pension liability adjustment	--	--	--	--	--	(23,230)	(23,230)
Loss on derivative financial instruments	--	--	--	--	--	(1,817)	(1,817)
Comprehensive loss							(53,318)
Stock issued (127,270 shares)	11	--	2,124	--	(135)	--	2,000
Stock options exercised (260,720 shares)	26	--	3,135	--	--	--	3,161
Conversions from Class B to common (113,053 shares)	12	(12)	--	--	--	--	--
Warrants issued - BCcomponents acquisition	--	--	39,462	--	--	--	39,462
Tax effects relating to stock plan	--	--	294	--	--	--	294
Amortization of unearned compensation	--	--	--	--	643	--	643
Balance at December 31, 2002	14,429	1,538	1,910,994	523,354	(413)	(91,115)	2,358,787

Continues on Following Page.

Vishay Intertechnology, Inc.  
Consolidated Statements of Stockholders' Equity (continued)  
(In thousands, except share amounts)

	Common Stock	Class B Convertible Common Stock	Capital in Excess of Par Value	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
Balance at December 31, 2002	\$ 14,429	\$ 1,538	\$1,910,994	\$ 523,354	\$ (413)	\$ (91,115)	\$2,358,787
Net earnings	--	--	--	26,842	--	--	26,842
Foreign currency translation adjustment	--	--	--	--	--	111,369	111,369
Pension liability adjustment	--	--	--	--	--	6,638	6,638
Gain on derivative financial instruments	--	--	--	--	--	2,462	2,462
Comprehensive income							147,311
Stock issued (14,000 shares)	2	--	212	--	--	--	214
Stock options exercised (356,313 shares)	36	--	4,704	--	--	--	4,740
Fair value of modifications to nonemployee stock options	--	--	1,776	--	--	--	1,776
Tax effects relating to stock plan	--	--	1,099	--	--	--	1,099
Conversions from Class B to common (1,018 shares)	--	--	--	--	--	--	--
Amortization of unearned compensation	--	--	--	--	107	--	107
Balance at December 31, 2003	\$ 14,467	\$ 1,538	\$1,918,785	\$ 550,196	\$ (306)	\$ 29,354	\$2,514,034

See accompanying notes.

Notes to Consolidated Financial Statements

December 31, 2003

Vishay Intertechnology, Inc. ("Vishay" or the "Company") is an international manufacturer and supplier of passive and active electronic components, including resistors, capacitors, inductors, strain gages, load cells, force measurement sensors, displacement sensors, photoelastic sensors, power MOSFETS, power conversion and motor control integrated circuits, transistors, diodes and optoelectronic components. Electronic components manufactured by the Company are used in virtually all types of electronic products, including those in the computer, telecommunications, military/aerospace, instrument, automotive, medical, and consumer electronics industries.

1. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ significantly from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of Vishay and all of its subsidiaries in which a controlling financial interest is maintained. For those consolidated subsidiaries in which the Company's ownership is less than 100 percent, the outside stockholders' interests are shown as Minority Interest in the accompanying consolidated balance sheets. Investments in affiliates over which the Company has significant influence but not a controlling interest are carried on the equity basis. Investments in affiliates over which the Company does not have significant influence are accounted for by the cost method. All significant intercompany transactions, accounts, and profits are eliminated.

Revenue Recognition

The Company recognizes revenue on product sales during the period when the sales process is complete. This generally occurs when products are shipped to the customer in accordance with terms of an agreement of sale, title and risk of loss have been transferred, collectibility is reasonably assured and pricing is fixed or determinable. The Company has agreements with distributors that historically provided limited rights of product return. Beginning in 2002, the Company modified these arrangements to allow distributors a limited credit for unsaleable products, which it terms a "scrap allowance." Consistent with industry practice, the Company also has a "stock, ship and debit" program whereby it considers requests by distributors for credits on previously purchased products that remain in distributors' inventory, to enable the distributors to offer more competitive pricing. In addition, the Company has contractual arrangements whereby it provides distributors with protection against price reductions initiated by the Company after product is sold by the Company to the distributor and prior to resale by the distributor.

The Company records a reduction of revenue during each period, and records a related accrued expense for the period, based upon its estimate of product returns, scrap allowances, "stock, ship and debit" credits and price protection credits that will be attributable to sales recorded through the end of the period. The Company makes these estimates based upon sales levels to its distributors during the period, inventory levels at the distributors, current and projected market conditions and historical experience under the programs. While the Company utilizes a number of different methodologies to estimate the accruals, all of the methodologies take into account sales levels to distributors during the relevant period, inventory levels at the distributors, current and projected market trends and conditions, recent and historical activity under the relevant programs, changes in program policies and open requests for credits. These procedures require the exercise of significant judgments, but the Company believes that they allow the Company to reasonably estimate future credits under the programs.

1. Summary of Significant Accounting Policies (continued)

Shipping and Handling Costs

Shipping and handling costs are included in costs of products sold.

Research and Development Expenses

Research and development costs are expensed as incurred. The amount charged to expense for research and development (exclusive of purchased in-process research and development) aggregated \$45,377,000, \$37,095,000, and \$30,176,000, for the years ended December 31, 2003, 2002, and 2001, respectively. The Company spends additional amounts for the development of machinery and equipment for new processes and for cost reduction measures.

Grants

Grants received by certain foreign subsidiaries from foreign governments, primarily in Israel, are recognized as income in accordance with the purpose of the specific contract and in the period in which the related expense is incurred. Grants from the Israeli government recognized as a reduction of costs of products sold were \$12,359,000, \$17,322,000, and \$19,064,000, for the years ended December 31, 2003, 2002, and 2001, respectively. Grants receivable of \$9,223,000 and \$16,374,000 are included in other current assets at December 31, 2003 and 2002, respectively. Deferred grant income was \$27,659,000 and \$42,345,000 at December 31, 2003 and 2002, respectively. The grants are subject to certain conditions, including maintaining specified levels of employment for periods up to ten years. Noncompliance with such conditions could result in the repayment of grants. However, management expects that the Company will comply with all terms and conditions of the grants.

Income Taxes

The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax bases of the Company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Cash Equivalents

Cash and cash equivalents includes demand deposits and highly liquid investments with maturities of three months or less when purchased.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowance is determined through an analysis of the aging of accounts receivable and assessments of risk that are based on historical trends and an evaluation of the impact of current and projected economic conditions. The Company evaluates the past-due status of its trade receivables based on contractual terms of sale. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Bad debt expense was \$4,181,000, \$6,672,000, and \$7,112,000 for the years ended December 31, 2003, 2002, and 2001, respectively.

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market. Inventories are adjusted for estimated obsolescence and written down to net realizable value based upon estimates of future demand, technology developments and market conditions.

Property and Equipment

Property and equipment is carried at cost and is depreciated principally by the straight-line method based upon the estimated useful lives of the assets. Machinery and equipment are being depreciated over useful lives of seven to ten years. Buildings and building improvements are being depreciated over useful lives of twenty to forty years. Construction in progress is not depreciated until the assets are placed in service. The estimated cost to complete construction in progress at December 31, 2003 was approximately \$14.5 million. Depreciation of capital lease assets is included in total depreciation expense. Depreciation expense was \$180,706,000, \$172,174,000, and \$149,225,000, for the years ended December 31, 2003, 2002, and 2001, respectively.

Goodwill and Other Intangible Assets

The Company adopted Statements of Financial Accounting Standards ("SFAS") No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective January 1, 2002.

SFAS No. 142 requires that goodwill and indefinite-lived intangible assets no longer be amortized. In addition, goodwill and indefinite-lived intangible assets are tested for impairment at least annually. These tests will be performed more frequently if there are triggering events. The Company has assigned an indefinite useful life to its tradenames. Prior to adoption of SFAS No. 142, goodwill was amortized over periods ranging from twenty to forty years.

Definite-lived intangible assets are amortized over their estimated useful lives. Completed technology is being amortized over useful lives of seven to ten years. Noncompete agreements are being amortized over a period of one to five years. The Company continually evaluates the reasonableness of the useful lives of these assets.

SFAS No. 142 prescribes a two-step method for determining goodwill impairment. In the first step, the Company determines the fair value of the reporting unit using a comparable companies market multiple approach. If the net book value of the reporting unit were to exceed the fair value, the Company would then perform the second step of the impairment test which requires allocation of the reporting unit's fair value to all of its assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill. An impairment charge will be recognized only when the implied fair value of a reporting unit's goodwill is less than its carrying amount.

The Company completed the transitional goodwill impairment test as of January 1, 2002. Fair value of reporting units was determined using comparable company market multiples. The Company determined that there was no goodwill impairment as of January 1, 2002. The Company's required annual impairment test is completed as of October 1 of each year. The Company also performed an additional impairment test at September 30, 2002 because events and circumstances indicated that goodwill of its passives reporting unit might be impaired. Management concluded that no impairment existed at September 30, 2002. Additionally, it was determined that no impairment existed based on the annual impairment tests for 2003 and 2002.

## Notes to Consolidated Financial Statements (continued)

## 1. Summary of Significant Accounting Policies (continued)

The Company completed the transitional impairment test of its tradenames as of January 1, 2002. The fair value of the tradenames was measured as the discounted cash flow savings realized from owning such tradenames and not having to pay a royalty for their use. No impairment of the tradenames was determined to exist at January 1, 2002. The annual impairment test of tradenames is completed as of October 1 of each year. It was determined that no impairment existed based on the annual impairment tests for 2003 and 2002.

**Impairment of Long-Lived Assets**

The Company evaluates impairment of its long-lived assets, other than goodwill and indefinite-lived intangible assets, in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which was adopted by the Company as of January 1, 2002. Adoption of SFAS No. 144 had no effect on the Company's financial position or its results of operations. The carrying value of long-lived assets held and used, other than goodwill and indefinite-lived intangible assets, is evaluated when events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value of a long-lived asset is considered impaired when the total projected undiscounted cash flows from such asset are separately identifiable and are less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the projected cash flows from the asset discounted at a rate commensurate with the risk involved. Losses on long-lived assets held for sale, other than goodwill and indefinite-lived intangible assets, are determined in a similar manner, except that fair market values are reduced for disposal costs.

**Stock-Based Compensation**

SFAS No. 123, Accounting for Stock-Based Compensation, encourages entities to record compensation expense for stock-based employee compensation plans at fair value but provides the option of measuring compensation expense using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees. The Company accounts for stock-based compensation in accordance with APB No. 25 and related interpretations. The following is provided to comply with the disclosure requirements of SFAS No. 123 as amended. If compensation cost for the Company's stock option programs had been determined using the fair-value method prescribed by SFAS No. 123, the Company's results would have been reduced to the pro forma amounts indicated below (in thousands, except per share amounts):

	2003	Year ended December 31 2002	2000
	-----	-----	-----
Net earnings (loss), as reported	\$ 26,842	\$ (92,614)	\$ 513
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	(1,612)	(2,430)	(3,742)
Pro forma net earnings (loss)	\$ 25,230	\$ (95,044)	\$ (3,229)
	=====	=====	=====
Earnings (loss) per share:			
Basic--as reported	\$ 0.17	\$ (0.58)	\$ 0.00
	=====	=====	=====
Basic--pro forma	\$ 0.16	\$ (0.60)	\$ (0.02)
	=====	=====	=====
Diluted--as reported	\$ 0.17	\$ (0.58)	\$ 0.00
	=====	=====	=====
Diluted--pro forma	\$ 0.16	\$ (0.60)	\$ (0.02)
	=====	=====	=====

## Notes to Consolidated Financial Statements (continued)

## 1. Summary of Significant Accounting Policies (continued)

The weighted average fair value of the options granted was estimated using the Black-Scholes option-pricing model, with the assumptions presented below. Options granted in 2003 and 2002 had a weighted average fair value of \$6.53 and \$8.62, respectively, and an exercise price equal to the market value. No options were granted in 2001 under the Vishay stock option programs.

	2003 Grants	2002 Grants
	-----	-----
Expected dividend yield	-	-
Risk-free interest rate	2.2%	3.5%
Expected volatility	61.2%	63.2%
Expected life (in years)	4.5	4.5

**Derivative Financial Instruments**

Derivative instruments are reported on the consolidated balance sheet at their fair values. The accounting for changes in fair value depends upon the purpose of the derivative instrument and whether it is designated and qualifies for hedge accounting. For instruments designated as hedges, the effective portion of gains or losses is reported in other comprehensive income and the ineffective portion, if any, is reported in net earnings (loss). Changes in the fair values of derivative instruments that are not designated as hedges are recorded in current period earnings. The Company uses interest rate swap agreements to modify variable rate obligations to fixed rate obligations, thereby reducing exposure to market rate fluctuations. The interest rate swap agreements are designated as hedges. At December 31, 2003, the Company had no outstanding interest rate swap agreements. See Note 14.

In prior years, the Company used financial instruments such as forward exchange contracts to hedge a portion, but not all, of its firm commitments denominated in foreign currencies. The purpose of the Company's foreign currency management is to minimize the effect of exchange rate changes on actual cash flows from foreign currency denominated transactions. At December 31, 2003 and 2002, the Company had no outstanding forward exchange contracts.

**Foreign Currency Translation**

The financial statements for most of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Foreign assets and liabilities in the consolidated balance sheets have been translated at the rate of exchange as of the balance sheet date. Revenues and expenses are translated at the average exchange rate for the year. Translation adjustments do not impact the results of operations and are reported as a separate component of stockholders' equity. Foreign currency transaction gains and losses are included in the results of operations.

For those foreign subsidiaries where the U.S. dollar is the functional currency, all foreign currency financial statement amounts are remeasured into U.S. dollars. Exchange gains and losses arising from remeasurement of foreign currency-denominated monetary assets and liabilities are included in the results of operations.



1. Summary of Significant Accounting Policies (continued)

Commitments and Contingencies

Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Accrued liabilities for environmental matters recorded at December 31, 2003 and 2002 do not include claims against third parties and are not discounted.

Accounting Pronouncements Pending Adoption

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), Consolidation of Variable Interest Entities, an interpretation of ARB 51. The primary objectives of this interpretation are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights ("variable interest entities") and how to determine when and which business enterprise (the "primary beneficiary") should consolidate the variable interest entity. This new model for consolidation applies to an entity in which either (i) the equity investors (if any) do not have a controlling financial interest; or (ii) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. In addition, FIN 46 requires that the primary beneficiary, as well as all other enterprises with a significant variable interest in a variable interest entity, make additional disclosures. Certain disclosure requirements of FIN 46 were effective for financial statements issued after January 31, 2003. In December 2003, the FASB issued FIN 46 (revised December 2003), Consolidation of Variable Interest Entities ("FIN 46-R") to address certain FIN 46 implementation issues. The effective dates and impact of FIN 46 and FIN 46-R are as follows: (i) Special-purpose entities ("SPEs") created prior to February 1, 2003: The Company must apply either the provisions of FIN 46 or early adopt the provisions of FIN 46-R at the end of the first interim or annual reporting period ending after December 15, 2003. (ii) Non-SPEs created prior to February 1, 2003: The Company is required to adopt FIN 46-R at the end of the first interim or annual reporting period ending after March 15, 2004. (iii) All entities, regardless of whether an SPE, that were created subsequent to January 31, 2003: The provisions of FIN 46 were applicable for variable interests in entities obtained after January 31, 2003. The adoption of the provisions applicable to SPEs and all other variable interests obtained after January 31, 2003 did not have a material impact on our financial position, results of operations, or liquidity. The Company does not expect the adoption of FIN 46-R provisions applicable to Non-SPEs created prior to February 1, 2003, to have a material impact on our financial position, results of operations or liquidity.

In December 2003, the FASB issued a revision to SFAS No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits. The revised standard retains the disclosure requirement contained in the original standard and requires additional disclosures about the assets, obligations, cash flows and net period cost of defined pension plans and other defined benefit postretirement plans. The Company has adopted the disclosure requirements required by SFAS No. 132 (revised 2003) for our U.S. pension and other postretirement plans, as included in Note 11. As permitted by SFAS No. 132, certain disclosures regarding non-U.S. pension plans and estimated future benefit payments for both U.S. and non-U.S. pension and other postretirement benefit plans will be delayed until 2004.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current financial statement presentation.

## 2. Acquisitions

As part of its growth strategy, the Company seeks to expand through the acquisition of other manufacturers of electronic components that have established positions in major markets, reputations for product quality and reliability, and product lines with which the Company has substantial marketing and technical expertise. In the past three years, the Company has taken advantage of the downturn in the electronics industry and the strength of its own balance sheet to acquire businesses for consideration that it believes was lower than what it would have been required to pay in other economic environments. In pricing an acquisition, the Company focuses primarily on the target's revenues and customer base, the strategic fit of its product line with the Company's existing product offerings, opportunities for cost cutting and integration with the Company's existing operations and production and other postacquisition synergies rather than on the target's assets, such as its property, equipment and inventory. As a result, the fair value of the acquired assets may correspond to a relatively smaller portion of the acquisition price, with the Company recording a substantial amount of goodwill related to the acquisition.

These principles apply in particular to acquisitions in the passive segment. The passive electronics business is a mature industry that, in general, has a slow organic growth rate linked to macro-economic trends. The Company's business strategy for growth in the passive segment relies primarily upon the acquisition of other electronic components manufacturers whose operations satisfy its acquisition criteria. Rather than focusing on the assets of the acquired company, the Company seeks to capture its sales and customers, which it expects to service in substantial measure with its own long-term assets and personnel. In this regard, the Company anticipates that, following the acquisition, it will be able to maintain sales levels on the strength of its relationships with original equipment manufacturers (OEMs), distributors and electronic manufacturers' supply (EMS) companies. The Company also anticipates that it will be able to achieve fairly rapid cost reductions by eliminating or combining redundant sales offices, sales personnel, commission representatives and administrative staff; eliminating or consolidating manufacturing facilities; and transferring manufacturing operations from high-labor-cost countries to low-labor-cost jurisdictions. These savings and synergies were made possible in the recent environment of depressed activity in the electronics industry by low utilization of manufacturing and distribution capacity in the passive segment. The property and equipment of an acquired company are expected to be eliminated or substantially reduced and are valued accordingly. The result for acquisitions in the passive segment is recognition of a substantial amount of goodwill.

No acquisitions were made during the year ended December 31, 2003.

Year ended December 31, 2002

In January 2002, the Company acquired the transducer and strain gage businesses of Sensortronics, Inc. The acquisition included the wholly owned subsidiary of Sensortronics, JP Technologies, a manufacturer of strain gages, located in San Bernardino, California. The purchase price was \$10 million in cash. The purchase price has been allocated, with resulting goodwill of \$3,027,000. The results of operations are included in the results of the passives segment from January 31, 2002.

In June 2002, the Company acquired Tedea-Huntleigh BV, a subsidiary of Tedea Technological Development and Automation Ltd. Tedea-Huntleigh is engaged in the production and sale of load cells used in digital scales by the weighing industry. The purchase price was approximately \$21 million in cash. Additionally, Vishay is paying Tedea a \$1 million consulting fee over a three-year period and repaid a \$9 million loan of Tedea to Tedea-Huntleigh. Tedea-Huntleigh operates two plants in Israel, in Netanya and Carmiel, where it employs approximately 350 people, as well as a number of facilities outside Israel. Tedea-Huntleigh also has load cell operations in the People's Republic of China. The purchase price has been allocated, with resulting goodwill of \$13,841,000. Results of operations are included in the passives segment beginning July 1, 2002.

## Notes to Consolidated Financial Statements (continued)

## 2. Acquisitions (continued)

On July 31, 2002, the Company acquired the BLH and Nobel businesses of Thermo Electron Corporation. BLH and Nobel are engaged in the production and sale of load cell-based process weighing systems, weighing and batching instruments, web tension instruments, weighing scales, servo control systems, and components relating to load cells including strain gages, foil gages, and transducers. The purchase price was \$18.5 million in cash. The purchase price has been allocated, with resulting goodwill of \$11,262,000. The results of operations are included in the passives segment beginning August 1, 2002.

In October 2002, the Company acquired Celtron Technologies. Celtron is engaged in the production and sale of load cells used in digital scales for the weighing industry, with manufacturing facilities and offices in Taiwan, the People's Republic of China, and California. The purchase price of \$13.5 million in cash has been allocated with resulting goodwill of \$4,711,000. Results of operations are included in the passives segment beginning October 1, 2002.

On December 13, 2002, the Company acquired BCcomponents Holdings B.V., a leading manufacturer of passive components with operations in Europe, India and the Far East. The product lines of BCcomponents include linear and non-linear resistors; ceramic, film and aluminum electrolytic capacitors; and switches and trimming potentiometers. The acquisition of BCcomponents, and the recognition of substantial goodwill in the acquisition, were consistent with the general principles described above that guide the Company's acquisition activity and their application in particular to acquisitions in the passive component segment.

Vishay acquired the outstanding shares of BCcomponents in exchange for ten-year warrants to acquire 7,000,000 shares of Vishay common stock at an exercise price of \$20.00 per share and ten-year warrants to acquire 1,823,529 shares of Vishay common stock at an exercise price of \$30.30 per share. The fair value of the warrants (\$39,462,000) was determined using the Black-Scholes option-pricing model. Significant assumptions used included an expected dividend yield of 0%, a risk-free interest rate of 3%, an expected volatility of 66%, and an expected life of five years.

In the transaction, outstanding obligations of BCcomponents, including indebtedness and transaction fees and expenses, in the amount of approximately \$224 million were paid (\$191 million) or assumed (\$33 million). Also, \$105 million in principal amount of BCcomponents' mezzanine indebtedness and certain other securities of BCcomponents were exchanged for \$105 million principal amount of floating rate unsecured loan notes of Vishay due 2102. The Vishay notes bear interest at LIBOR plus 1.5% through December 31, 2006 and at LIBOR thereafter. The interest rate could be further reduced to 50% of LIBOR after December 31, 2010 if the price of Vishay common stock trades above a specified target price, as provided in the notes. The notes are subject to a put and call agreement under which the holders may at any time put the notes to Vishay in exchange for 6,176,471 shares of Vishay common stock in the aggregate, and Vishay may call the notes in exchange for cash or for shares of its common stock after 15 years from the date of issuance. The purchase price was as follows (in thousands):

Cash consideration	\$ 191,000
Warrants issued	39,462
Acquisition costs	3,000
	-----
Total purchase price	\$ 233,462
	=====

Notes to Consolidated Financial Statements (continued)

2. Acquisitions (continued)

Under purchase accounting, the total purchase price is allocated to assets acquired and liabilities assumed based on their estimated fair values. At December 31, 2002, the purchase price allocation was preliminary, pending the completion of asset appraisals and negotiations with labor councils regarding planned restructuring. These matters were resolved in 2003, resulting in an increase in goodwill of \$66,347,000. The purchase price allocation is now final. The purchase price was allocated to the acquired assets and liabilities based on fair values as follows (in thousands):

Current assets	\$ 91,859
Property and equipment	68,762
Other assets	3,054
Tradenames	23,000
Completed technology	19,000
Current liabilities	(118,425)
Long-term debt	(126,328)
Other noncurrent liabilities	(29,860)
Goodwill	302,400
	-----
Total purchase price	\$ 233,462
	=====

In connection with the BCcomponents acquisition, the Company recorded restructuring liabilities of \$47,794,000 under an exit plan that management began to formulate prior to the acquisition date. Approximately \$45,855,000 of these liabilities relate to employee termination costs covering approximately 780 technical, production, administrative and support employees located in the United States, Europe, and the Pacific Rim. This liability is recorded in other accrued expenses and is expected to be paid by June 30, 2004. Future adjustments to decrease the restructuring liabilities would increase goodwill. A rollforward of the activity related to these restructuring liabilities is as follows (in thousands, except number of employees):

	Severance Costs	Other	Number of Employees Terminated	Total
	-----			
Balance at December 31, 2002	\$ 45,855	\$ 1,939	780	\$ 47,794
Utilized	(30,018)	(1,939)	(624)	(31,957)
Foreign currency translation	5,153	--	--	5,153
Change in estimate	(1,328)	--	(13)	(1,328)
	-----			
Balance at December 31, 2003	\$ 19,662	\$ --	143	\$ 19,662
	=====			

## Notes to Consolidated Financial Statements (continued)

## 2. Acquisitions (continued)

Year ended December 31, 2001

In January 2001, the Company purchased Tansitor, a manufacturer of wet tantalum electrolytic capacitors and miniature conformal coated solid tantalum capacitors, for \$18.3 million in cash. The acquisition was accounted for as a purchase and included in the results of operations of the passives segment from January 1, 2001.

On July 27, 2001, the Company agreed to purchase from Infineon Technologies AG, Munich, the Infineon optoelectronic infrared components business. This business produces optocouplers and optoelectric infrared data components transceivers (IRDCs). Under the terms of the agreement, the Company purchased Infineon's U.S. development, marketing, and distribution activities located in the San Jose, California headquarters and a manufacturing facility located in Malaysia. The total purchase price for this transaction was approximately \$116 million in cash. A partial payment of \$78 million was made on July 27, 2001, and a second payment of \$38 million was made on December 31, 2001 to acquire the facility in Malaysia. The results of operations of Infineon's U.S. infrared components business are included in the results of the actives segment from July 27, 2001. The results of operations of the Malaysia facility are included from December 31, 2001, its acquisition date. The purchase price was allocated to the acquired assets and liabilities based on fair values as follows (in thousands):

Current assets	\$ 28,121
Property and equipment	27,575
Completed technology	8,000
Other assets	226
Current liabilities	(14,200)
Goodwill	66,351
	-----
Total purchase price	\$ 116,073
	=====

On November 2, 2001, the Company acquired General Semiconductor, Inc., a leading manufacturer of rectifiers and power management devices, following approval of the transaction and related matters by stockholders of the two companies, for \$554.8 million, including acquisition expenses of \$7.0 million. Stockholders of General Semiconductor received 0.563 shares of Vishay common stock for each General Semiconductor share in a tax-free exchange. The Company valued the stock issued using an average closing price of its common stock for the period beginning three trading days immediately prior to the date the acquisition was announced (August 1, 2001) and ending the three trading days immediately thereafter, or an average of \$23.46 per share. The aggregate fair value was determined by multiplying the total number of shares of Vishay common stock issued (21,305,127) by \$23.46 per share, or approximately \$499,818,000. The Company assumed General Semiconductor options that became exercisable for approximately 4.3 million shares of Vishay common stock, with a fair value of \$48 million. The fair value of the options was determined using the Black-Scholes option-pricing model. The significant assumptions used included an expected dividend yield of 0.0%, a risk-free interest rate of 3%, an expected volatility of 66%, and an expected life of five years. General Semiconductor also had outstanding \$172.5 million principal amount of 5.75% convertible notes, of which \$1.5 million principal amount was repurchased by the Company in January 2002. The remaining principal amount was repurchased by the Company in September 2003. See Note 6. The notes were convertible into approximately 6.2 million shares of Vishay common stock. The results of operations of General Semiconductor are included in the results of the actives segment from November 2, 2001.

## Notes to Consolidated Financial Statements (continued)

## 2. Acquisitions (continued)

The final purchase allocation is as follows (in thousands):

Current assets	\$ 153,115
Property and equipment	184,524
Other assets	7,896
Noncompete agreements	5,604
Tradenames	35,000
Completed technology	37,000
Purchased in-process technology	16,000
Current liabilities	(188,410)
Long-term debt	(255,502)
Other non-current liabilities	(111,290)
Goodwill	670,909
	-----
Total purchase price	\$ 554,846
	=====

In connection with the General Semiconductor acquisition, the Company recorded restructuring liabilities of \$94,643,000 under an exit plan that management began to formulate prior to the acquisition date. The exit plan includes downsizing certain European and Taiwan facilities and moving production to low-labor-cost areas such as Israel, the Czech Republic, and the People's Republic of China. The plan also includes reducing selling, general and administrative expenses through the integration or elimination of redundant sales offices and administrative functions at General Semiconductor. The Company's goal under the plan is to achieve significant production cost savings through the transfer and expansion of manufacturing operations to regions such as Israel, the Czech Republic, and the People's Republic of China, where the Company can take advantage of lower labor costs and available tax and other government-sponsored incentives. Approximately \$88,242,000 of these restructuring liabilities related to employee termination costs covering approximately 1,460 technical, production, administrative and support employees located in the United States, Europe, and the Pacific Rim. The remaining \$6,401,000 related to provisions for lease cancellations and other costs. The liability is recorded in other accrued expenses and is expected to be paid by June 30, 2004. Future adjustments to decrease the restructuring liabilities would increase goodwill.

A rollforward of the activity in these restructuring liabilities is as follows (in thousands, except number of employees):

	Severance Costs	Other	Number of Employees Terminated	Total
	-----			
Balance at January 1, 2002	\$ 88,242	\$ 6,401	1,460	\$ 94,643
Utilized	(52,118)	(1,249)	(426)	(53,367)
Changes in estimate	(7,900)	--	(147)	(7,900)
	-----			
Balance at December 31, 2002	\$ 28,224	\$ 5,152	887	\$ 33,376
Utilized	(6,563)	(2,641)	(118)	(9,204)
Foreign currency translation	504	--	--	504
Changes in estimate	(271)	--	--	(271)
	-----			
Balance at December 31, 2003	\$ 21,894	\$ 2,511	769	\$ 24,405
	=====			

## Notes to Consolidated Financial Statements (continued)

## 2. Acquisitions (continued)

The change in the estimate of restructuring liabilities for the acquisition of General Semiconductor in 2002 resulted from a decision not to downsize one of General Semiconductor's European facilities. At the time that the Company formulated its exit plan, it did not anticipate the robust demand experienced in 2002 for the active components manufactured by that facility. Accordingly, the Company did not terminate the 147 employees whose positions it had originally expected to eliminate. The Company reduced restructuring liabilities (and goodwill) by \$7,900,000, the amount of the anticipated termination costs for these employees that had been included in the purchase allocation. The remaining liability is expected to be paid in 2004.

On November 7, 2001, the Company acquired Yosemite Investment, Inc. d/b/a North American Capacitor Company, also known as Mallory, for approximately \$45 million in cash. With manufacturing facilities in Greencastle, Indiana and Glasgow, Kentucky, Mallory is a leading manufacturer of wet tantalum electrolytic capacitors, among other businesses. Subsequently, in February 2002, Vishay sold the audible signal business of Mallory for \$4,925,000, consisting of \$3,925,000 in cash and a \$1,000,000 promissory note and recognized no gain or loss. On April 1, 2002, the Company sold the resale business of Mallory for \$8.8 million, consisting of \$7.6 million in cash and a \$1.2 million subordinated promissory note and recognized no gain or loss. The purchase price was allocated to the acquired assets and liabilities based on fair values as follows (in thousands):

Current assets	\$ 11,033
Property and equipment	6,347
Current liabilities	(3,555)
Long-term debt	(857)
Goodwill	31,684
	-----
Total purchase price	\$ 44,652
	=====

The BLH, Tansitor, Celtron, Nobel, Tedea-Huntleigh, Sensortronics, Mallory and Infineon acquisitions were funded with cash on hand and borrowings under Vishay's revolving credit facility.

Vishay Intertechnology, Inc.

Notes to Consolidated Financial Statements (continued)

2. Acquisitions (continued)

Had all of the acquisitions previously described been made at the beginning of the respective periods, the Company's pro forma unaudited results would have been (in thousands, except per share amounts):

	Year ended December 31	
	2002	2001
	-----	
Net sales	\$ 2,095,657	\$ 2,415,651
Net loss	(127,379)	(82,166)
Basic and diluted loss per share	(0.80)	(0.52)

The pro forma information includes adjustments for interest expense that would have been incurred to finance the acquisitions, adjustments to depreciation based on the fair value of property and equipment acquired, write-off of purchased in-process research and development, amortization of intangible assets and related tax effects. Pro forma net loss for the year ended December 31, 2001 includes pretax restructuring charges of \$88,846,000 recorded by General Semiconductor and BCcomponents prior to acquisition. Goodwill related to the acquisitions is not tax-deductible.

The unaudited pro forma results are not necessarily indicative of the results that would have been attained had the acquisitions occurred at the beginning of the periods presented.



Vishay Intertechnology, Inc.

Notes to Consolidated Financial Statements (continued)

3. Goodwill and Other Intangible Assets

As discussed in Note 1, the Company adopted SFAS No. 142 on January 1, 2002. The Company's net earnings and earnings per share adjusted to exclude goodwill amortization for the year prior to adoption were as follows:

	Year ended December 31 2001 -----
Reported net earnings	\$ 513
Add back: Goodwill amortization, net of tax	10,414
	-----
Adjusted net earnings	\$ 10,927 =====
Basic earnings per share:	
Reported net earnings	\$ 0.00
Goodwill amortization, net of tax	0.08
	-----
Adjusted net earnings	\$ 0.08 =====
Diluted earnings per share:	
Reported net earnings	\$ 0.00
Goodwill amortization, net of tax	0.08
	-----
Adjusted net earnings	\$ 0.08 =====

The changes in the carrying amounts of goodwill by segment for the years ended December 31, 2003 and 2002 were as follows:

	Actives	Passives	Total
	----- (In thousands) -----		
Balance at January 1, 2002	\$ 864,375	\$ 213,415	\$ 1,077,790
Goodwill acquired during the year	--	276,606	276,606
Purchase price allocation adjustments	(8,332)	830	(7,502)
Currency translation adjustments	5,158	4,241	9,399
	-----	-----	-----
Balance at December 31, 2002	861,201	495,092	1,356,293
Purchase price allocation adjustments	--	66,347	66,347
Currency translation adjustments	22,191	21,883	44,074
	-----	-----	-----
Balance at December 31, 2003	\$ 883,392 =====	\$ 583,322 =====	\$ 1,466,714 =====

Passives segment goodwill is allocated to the Other Passives and Measurements Group reporting units for SFAS No. 142 evaluation purposes. Goodwill allocated to the Other Passives reporting unit at December 31, 2003 is \$541,909,000. Goodwill allocated to the Measurements Group reporting unit at December 31, 2003 is \$41,413,000.

Vishay Intertechnology, Inc.

Notes to Consolidated Financial Statements (continued)

3. Goodwill and Other Intangible Assets (continued)

Other intangible assets were as follows:

	December 31	
	2003	2002
	-----	
	(In thousands)	
Intangible Assets Subject to Amortization (Definite Lived)		
Patents and acquired technology	\$ 79,715	\$ 67,000
Noncompete agreements	7,604	7,604
	-----	-----
	87,319	74,604
Accumulated amortization		
Patents and acquired technology	(15,330)	(5,184)
Noncompete agreements	(6,383)	(3,003)
	-----	-----
	(21,713)	(8,187)
Net Intangible Assets Subject to Amortization	65,606	66,417
Intangible Assets Not Subject to Amortization (Indefinite Lived)		
Tradenames	63,349	56,000
	-----	-----
	\$ 128,955	\$ 122,417
	=====	=====

Amortization expense was \$13,029,000, \$7,171,000, and \$1,017,000, for the years ended December 31, 2003, 2002, and 2001, respectively. Estimated annual amortization expense for each of the next five years is as follows: 2004 - \$9,291,000; 2005 - \$8,869,000; 2006 - \$8,469,000; 2007 - \$8,469,000; and 2008 - \$8,469,000.

## Notes to Consolidated Financial Statements (continued)

## 4. Restructuring and Severance Costs

Restructuring and severance costs reflect the cost reduction programs currently being implemented by the Company. These include the closing of facilities and the termination of employees. Severance costs also include executive severance and charges for the fair value of stock options of certain former employees which were modified such that they did not expire at termination. Restructuring costs are expensed during the period in which the Company determines it will incur those costs and all requirements of accrual are met. Effective January 1, 2003, restructuring costs are accounted for under SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Because these costs are recorded based upon estimates, actual expenditures for the restructuring activities may differ from the initially recorded costs. If the initial estimates were too low or too high, the Company could be required either to record additional expenses in future periods or to reverse part of the previously recorded charges.

Year Ended December 31, 2003

The Company recorded restructuring and severance costs of \$29,560,000 for the year ended December 31, 2003. Restructuring of European and Asian operations included \$23,007,000 of employee termination costs covering 546 technical, production, administrative and support employees located in Germany, France, Hungary, Portugal, the United Kingdom, Austria and the Far East. The remaining \$6,553,000 of restructuring and severance costs relates to termination costs of \$5,539,000 for 162 technical, production, administrative and support employees located in the United States, and \$1,014,000 for asset write-downs. The restructuring and severance costs were incurred as part of the cost reduction programs currently being implemented by the Company. Activity related to these costs for the year ended December 31, 2003 is as follows (in thousands, except number of employees):

	Severance Costs	Asset Impairment	Number of Employees Terminated	Total
Restructuring and severance costs	\$ 28,546	\$ 1,014	708	\$ 29,560
Utilized	(14,195)	(1,014)	(653)	(15,209)
Foreign currency translation	1,623	--	--	1,623
Balance at December 31, 2003	\$ 15,974	\$ --	55	\$ 15,974

Substantially all of the remaining restructuring liability, currently shown in other accrued expenses, is expected to be paid by December 31, 2004.

## Notes to Consolidated Financial Statements (continued)

## 4. Restructuring and Severance Costs (continued)

Year ended December 31, 2002

Restructuring and severance costs were \$30,970,000 for the year ended December 31, 2002. Restructuring of European and Israeli operations included \$10,698,000 of employee termination costs covering approximately 778 technical, production, administrative and support employees located in the Czech Republic, France, Hungary, Israel, Portugal, and Austria. In the United States, \$7,909,000 of restructuring and severance costs related to termination costs for approximately 660 technical, production, administrative and support employees. The remaining \$12,363,000 of restructuring and severance costs related to the noncash write-down of building and equipment that are no longer in use. The restructuring and severance costs were incurred as part of the cost reduction programs currently being implemented by the Company. The restructuring activities related to existing business were designed to reduce both fixed and variable costs, particularly in response to the reduced demand for our products occasioned by the electronics industry downturn which began in 2001.

Activity related to these costs is as follows (in thousands, except number of employees):

	Severance Costs	Asset Impairment	Number of Employees Terminated	Total
Restructuring and severance costs Utilized	\$ 18,607 (6,420)	\$ 12,363 (12,363)	1,438 (783)	\$ 30,970 (18,783)
Balance at December 31, 2002 Utilized	12,187 (10,030)	--	655 (639)	12,187 (10,030)
Foreign currency effect	661	--	--	661
Balance at December 31, 2003	\$ 2,818	\$ --	16	\$ 2,818

The remaining \$2,818,000 of severance costs, currently shown in other accrued expenses, is expected to be paid by March 31, 2004.

Year ended December 31, 2001

Restructuring and severance costs were \$61,908,000 for the year ended December 31, 2001. Restructuring of European, Asia Pacific, and Israeli operations included \$27,064,000 of employee termination costs covering approximately 3,778 technical, production, administrative and support employees located in France, Hungary, Portugal, Austria, the Philippines, Germany, and Israel. The European operations also recorded \$2,191,000 of noncash costs associated with the write-down of buildings and equipment that are no longer in use. In the United States, \$13,870,000 of restructuring and severance costs related to termination costs for approximately 1,885 technical, production, administrative and support employees. The remaining \$18,783,000 of restructuring and severance costs related to the noncash write-down of buildings and equipment that are no longer in use.

Vishay Intertechnology, Inc.

Notes to Consolidated Financial Statements (continued)

4. Restructuring and Severance Costs (continued)

Activity related to these costs is as follows (in thousands, except number of employees):

	Severance Costs	Asset Impairment	Number of Employees Terminated	Total
Restructuring and severance costs Utilized	\$ 40,934 (18,114)	\$ 20,974 (20,974)	5,663 (4,913)	\$ 61,908 (39,088)
Balance at December 31, 2001 Utilized	22,820 (19,865)	--	750 (612)	22,820 (19,865)
Changes in estimate	(1,391)	--	--	(1,391)
Balance at December 31, 2002 Utilized	1,564 (1,586)	--	138 (50)	1,564 (1,586)
Changes in estimate	22	--	(88)	22
Balance at December 31, 2003	\$ --	\$ --	--	\$ --

5. Income Taxes

Earnings (loss) before income taxes and minority interest consists of the following components:

	Year ended December 31		
	2003	2002	2001
	(In thousands)		
Domestic	\$ (20,119)	\$ (59,882)	\$ (55,598)
Foreign	66,545	(40,163)	65,701
	\$ 46,426	\$(100,045)	\$ 10,103

Significant components of income taxes are as follows:

	Year ended December 31		
	2003	2002	2001
	(In thousands)		
Current:			
U.S.	\$ (1,389)	\$(41,991)	\$ 6,194
Foreign	4,977	6,111	9,197
State	2,141	776	641
	5,729	(35,104)	16,032
Deferred:			
U.S.	(8,640)	30,590	(12,392)
Foreign	12,767	(16,152)	4,031
State	1,672	3,766	(1,976)
	5,799	18,204	(10,337)
	\$ 11,528	\$(16,900)	\$ 5,695

## Notes to Consolidated Financial Statements (continued)

## 5. Income Taxes (continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31	
	2003	2002
	-----	
	(In thousands)	
Deferred tax assets:		
Pension and other retiree obligations	\$ 48,229	\$ 47,710
Net operating loss carryforwards	178,029	112,770
Tax credit carryforwards	19,204	11,766
Other accruals and reserves	69,873	68,792
	-----	
Total deferred tax assets	315,335	241,038
Less valuation allowance	(107,388)	(63,192)
	-----	
	207,947	177,846
Deferred tax liabilities:		
Tax over book depreciation	92,094	87,483
Intangible assets not subject to amortization	24,503	24,454
Other - net	31,487	30,359
	-----	
Total deferred tax liabilities	148,084	142,296
	-----	
Net deferred tax assets	\$ 59,863	\$ 35,550
	=====	

A reconciliation of income tax expense at the U.S. federal statutory income tax rate to actual income tax provision (benefit) is as follows:

	Year ended December 31		
	2003	2002	2001
	-----		
	(In thousands)		
Tax at statutory rate	\$ 16,249	\$(35,016)	\$ 3,536
State income taxes, net of U.S. federal tax benefit	3,319	2,540	(382)
Effect of foreign operations	(7,816)	11,090	(4,894)
Purchased research and development	--	--	5,600
Other	(224)	4,486	1,835
	-----		
	\$ 11,528	\$(16,900)	\$ 5,695
	=====		

## Notes to Consolidated Financial Statements (continued)

## 5. Income Taxes (continued)

At December 31, 2003, the Company had the following significant net operating loss carryforwards for tax purposes (in thousands):

		Expires -----
Austria	\$ 7,086	No expiration
Belgium	115,969	No expiration
Czech Republic	1,508	2005 - 2010
France	13,697	No expiration
Germany	99,417	No expiration
Israel	57,692	No expiration
Netherlands	86,333	No expiration
Portugal	4,303	2005 - 2009
United States	160,824	2021 - 2023

Approximately \$30,274,000 of the German carryforward resulted from the Company's acquisition of Roederstein in 1993 and approximately \$159,459,000 of the carryforwards in Austria, Belgium, and the Netherlands resulted from the Company's acquisition of BCcomponents in 2002.

In total, valuation allowances of \$96,061,000 and \$58,126,000 have been recorded at December 31, 2003 and 2002, respectively, for deferred tax assets related to foreign net operating loss carryforwards. Of this, \$55,790,000 and \$54,441,000, as of December 31, 2003 and 2002, respectively, are valuation allowances, recorded through goodwill, for the acquired net operating losses. If tax benefits are recognized in the future for utilization of these acquired net operating losses, the benefits of such loss utilization will be recorded as a reduction to goodwill. In 2003 and 2002, tax benefits recognized through reductions of the valuation allowance recorded through goodwill were \$0 and \$491,000, respectively.

At December 31, 2003, the Company had the following tax credit carryforwards available (in thousands):

		Expires -----
Federal Alternative Minimum Tax	\$13,831	No expiration
California Investment Credit	3,961	2004 - 2010
California Research Credit	4,210	No expiration

At December 31, 2003, no provision had been made for U.S. federal and state income taxes on approximately \$941,286,000 of foreign earnings, which are expected to be reinvested outside of the United States indefinitely. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to U.S. income taxes (subject to an adjustment for foreign tax credits), state income taxes, and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation.

Income taxes paid, net of amounts refunded, were a net refund of \$31,626,000 for the year ended December 31, 2003, and net payments of \$2,910,000 and \$72,953,000, for the years ended December 31, 2002 and 2001, respectively.

The Company's U.S. income tax returns for the years ended 1999 through 2000 are presently under examination by the Internal Revenue Service. Management believes that potential tax assessment plus related interest and penalties, if any, have been sufficiently provided for in the financial statements.

## Notes to Consolidated Financial Statements (continued)

## 6. Long-Term Debt

Long-term debt consists of the following:

	December 31	
	2003	2002
	-----	
	(In thousands)	
Multicurrency revolving credit loans	\$ --	\$111,000
Convertible subordinated notes, LYONs, due 2021	229,206	317,830
Convertible unsecured notes, BCcomponents, due 2102	105,000	105,000
Convertible subordinated notes, GSI, due 2006	--	169,347
Convertible subordinated notes, due 2023	500,000	--
Other debt and capital lease obligations	3,682	21,689
	-----	
	837,888	724,866
Less current portion	1,282	18,550
	-----	
	\$836,606	\$706,316
	=====	

## Convertible subordinated notes, due 2023

On August 6, 2003, the Company sold \$450 million aggregate principal amount of 3-5/8% convertible subordinated notes due 2023 and granted the initial purchasers an option to purchase, within 30 days of the date of the offering memorandum relating to the notes, an additional \$50 million of the notes. This option was exercised, and the additional \$50 million of notes was issued on September 3, 2003. The notes pay interest semiannually.

Holder may convert the notes into Vishay common stock prior to the close of business on August 1, 2023 if (1) the sale price of Vishay common stock reaches 130% of the conversion price for a specified period; (2) the trading price of the notes falls below 98% of the average last reported sales price of Vishay common stock multiplied by the conversion rate for a specified period; (3) the notes have been called for redemption; (4) the credit ratings assigned to the notes are lowered by two or more levels from their initial ratings; or (5) specified corporate transactions occur. None of these conditions had occurred as of December 31, 2003. The conversion price of \$21.28 is equivalent to a conversion rate of 46.9925 shares per \$1,000 principal amount of notes.

The notes are subordinated in right of payment to all of the Company's existing and future senior indebtedness and are effectively subordinated to all existing and future liabilities of its subsidiaries. The notes will be redeemable at the Company's option beginning August 1, 2010 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any. Holders of the notes will have the right to require the Company to repurchase all or some of their notes at a purchase price equal to 100% of their principal amount of the notes, plus accrued and unpaid interest, if any, on August 1, 2008, August 1, 2010, August 1, 2013, and August 1, 2018. In addition, holders of the notes will have the right to require the Company to repurchase all or some of their notes upon the occurrence of certain events constituting a fundamental change. On any required repurchase, the Company may choose to pay the purchase price in cash or shares of Vishay common stock or any combination of cash and Vishay common stock. The proceeds of the offering of the notes were used to repay other outstanding debt, as well as for general corporate purposes.

The early extinguishment of a portion of the Liquid Yield Option(TM) Notes (LYONs) and the General Semiconductor convertible subordinated notes, described below, resulted in a pretax loss of \$9,910,000 in 2003, which included a premium on redemption of approximately \$7.3 million and the write-off of deferred financing costs of approximately \$2.6 million.



## Notes to Consolidated Financial Statements (continued)

## 6. Long-Term Debt (continued)

## Revolving Credit Facility

In July 2003, Vishay agreed with the lenders under its secured revolving credit facility to an amendment and restatement of the agreement governing the facility. The maximum availability under the facility, in light of the Company's anticipated liquidity needs, was changed from \$500 million to \$400 million, and the final maturity of the facility was extended from June 2005 to May 2007. The restatement decreases the Company's minimum tangible net worth requirement to \$850 million plus 50% of net income (without offset for losses) and 75% of net proceeds of equity offerings from July 1, 2003, eliminates the covenant on minimum earnings before interest and tax, permits securitization of up to \$200 million of non-U.S. accounts receivable, allows for the release of all collateral (other than subsidiary stock and pledges by the Company and its subsidiaries of intercompany notes) under certain circumstances and creates an event of default upon the occurrence of a fundamental change as defined under the Company's convertible subordinated notes due 2023. The Company used approximately \$130 million of the proceeds of the offering of the convertible subordinated notes to repay amounts outstanding under the revolving credit facility.

Interest on the revolving credit facility is payable at prime or other variable interest rate options. The Company is required to pay facility fees. As of December 31, 2003 and 2002, the Company had \$0 and \$111,000,000, respectively, outstanding under the revolving credit facility (interest rate of 3.03% at December 31, 2002, or 5.77% after giving effect to interest rate swaps). Letters of credit totaling \$6,105,000 and \$30,633,000 were issued under the revolving credit facility at December 31, 2003 and 2002, respectively. At December 31, 2003, \$393,895,000 was available under the credit facility.

Borrowings under the revolving credit facility are secured by pledges of stock in certain significant subsidiaries and certain guarantees by significant subsidiaries. The subsidiaries would be required to perform under the guarantees in the event that the Company failed to make principal or interest payments under the revolving credit facility. If any subsidiary were to borrow under the credit facility, the Company would provide a similar guarantee with respect to the subsidiary. The revolving credit facility restricts the Company from paying cash dividends and requires the Company to comply with other covenants, including the maintenance of specific financial ratios.

## Liquid Yield Option(TM) Notes, due 2021

On June 4, 2001, the Company completed a private placement of \$550,000,000 face amount Liquid Yield Option(TM) Notes (LYONs) due 2021. In connection with the sale of the LYONs, the Company received net proceeds of \$294,096,000 and used the proceeds to pay down existing bank debt. Each LYON has a \$1,000 face amount and was offered at a price of \$551.26 (55.126% of the principal amount at maturity). The Company will not pay interest on the LYONs prior to maturity unless contingent interest becomes payable.

The issue price of each LYON represents a yield to maturity of 3.00%, excluding any contingent interest. The LYONs are subordinated in right of payment to all of the Company's existing and future senior indebtedness.

At any time on or before the maturity date, the LYONs are convertible into Vishay common stock at a rate of 17.6686 shares of common stock per \$1,000 principal amount at maturity. The conversion rate may be adjusted under certain circumstances, but it will not be adjusted for accrued original issue discount.

## Notes to Consolidated Financial Statements (continued)

## 6. Long-Term Debt (continued)

The Company is required to pay contingent interest to the holders of the LYONs during the six-month period commencing June 4, 2006 and during any six-month period thereafter if the average market price of a LYON for a certain measurement period immediately preceding the applicable six-month period equals 120% or more of the sum of the issue price and accrued original issue discount for such LYON. The amount of contingent interest payable during any six-month period will be the sum of any contingent interest payable in the first and second three-month periods during such six-month period. During any three-month period in which contingent interest becomes payable, the contingent interest payable per LYON for such period will be equal to the greater of (1) 0.0625% of the average market price of a LYON for the measurement period referred to above or (2) the sum of all regular cash dividends paid by the Company per share on its common stock during such three-month period multiplied by the number of shares of common stock issuable upon conversion of a LYON at the then-applicable conversion rate.

The holders of the LYONs may require the Company to repurchase all or a portion of their LYONs on June 4, 2004, June 4, 2006, June 4, 2011, and June 4, 2016, at various prices set forth in the notes. The Company may choose to pay the purchase price in cash, Vishay common stock, or a combination of both. The Company may redeem for cash all or a portion of the LYONs at any time on or after June 4, 2006 at the prices set forth in the notes. If these notes are put to the Company in 2004, the Company expects to be able to utilize its revolving credit facility or stock to finance the transaction, and accordingly, the notes are classified as long-term on the consolidated balance sheet.

The Company used approximately \$97.4 million of the proceeds of the 2003 offering of the convertible subordinated notes to fund the purchase of approximately \$97.0 million accreted principal amount (\$165.0 million face amount) of its LYONs.

## Convertible unsecured notes, BCcomponents, due 2102

On December 13, 2002, the Company completed the acquisition of BCcomponents Holdings B.V. In connection with this acquisition, \$105,000,000 in principal amount of BCcomponents' mezzanine indebtedness and certain other securities of BCcomponents were exchanged for \$105,000,000 principal amount of floating rate unsecured loan notes of the Company, due 2102. The notes bear interest at LIBOR plus 1.5% through December 31, 2006 and at LIBOR thereafter. The interest rate could be further reduced to 50% of LIBOR after December 31, 2010 if the price of the Company's common stock trades above a specified target price, as provided in the notes. The notes are subject to a put and call agreement under which the holders may at any time put the notes to the Company in exchange for 6,176,471 shares of the Company's common stock in the aggregate, and the Company may call the notes in exchange for cash or for shares of its common stock after 15 years from the date of issuance.

## Convertible subordinated notes, GSI, due 2006

General Semiconductor, which was acquired by the Company on November 2, 2001, had outstanding \$172.5 million principal amount of 5.75% convertible subordinated notes due December 15, 2006. The notes were recorded at their fair value of \$170.5 million as of the November 2, 2001 acquisition date. Interest on the convertible notes was payable semiannually on June 15 and December 15 of each year. As a consequence of the Company's acquisition of General Semiconductor, the convertible notes became convertible into approximately 6.2 million shares of the Company's common stock. The convertible notes were redeemable at the Company's option, in whole or in part, at any time on or after December 15, 2002 at a premium of 103.286% of par value declining annually to 100.821% at December 15, 2005 and thereafter.

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt (continued)

The Company used approximately \$176.6 million of the proceeds of the 2003 offering of convertible subordinated notes (exclusive of accrued interest of approximately \$2.3 million) to fund the redemption of all of the outstanding convertible subordinated notes due 2006 of its General Semiconductor subsidiary. These notes were redeemed at a price of 103.286% of their principal amount, plus accrued but unpaid interest to the date of redemption.

Aggregate annual maturities of long-term debt, based on the terms stated in the respective debt agreements, are as follows: 2004 - \$1,282,000; 2005 - \$1,212,000; 2006 - \$357,000; 2007 - \$542,000; 2008 - \$291,000; and thereafter - \$834,204,000. As described above, LYONs with an aggregate accreted principal amount of \$229,206,000, due by their terms in 2021, may be put to the Company in 2004 at an aggregate price of approximately \$235,000,000.

At December 31, 2003, the Company had committed and uncommitted short-term credit lines with various U.S. and foreign banks aggregating approximately \$69 million, of which approximately \$51 million was unused. The weighted average interest rate on short-term borrowings outstanding as of December 31, 2003 and 2002 was 5.1% and 2.8%, respectively.

Interest paid was \$30,760,000, \$17,977,000, and \$15,685,000, for the years ended December 31, 2003, 2002, and 2001, respectively.

Notes to Consolidated Financial Statements (continued)

7. Stockholders' Equity

The Company's Class B common stock carries ten votes per share while the common stock carries one vote per share. Class B shares are transferable only to certain permitted transferees while the common stock is freely transferable. Class B shares are convertible on a one-for-one basis at any time into shares of common stock.

On November 2, 2001, the stockholders approved an increase in the authorized capital stock of the Company. The total authorized common stock was increased from 150,000,000 to 300,000,000 shares and the Class B common stock was increased from 20,000,000 to 40,000,000 shares.

On August 10, 2000, the Board of Directors of the Company authorized the repurchase of up to 5,000,000 shares of its common stock from time to time in the open market. As of December 31, 2003, the Company had repurchased 248,500 shares for a total of \$6,616,000.

Unearned compensation relating to common stock issued under employee stock plans is being amortized over periods ranging from three to five years. At December 31, 2003, 305,126 shares were available for issuance under stock plans.

At December 31, 2003, the Company has reserved shares of common stock for future issuance as follows:

Employee stock plan	305,126
Common stock options outstanding	8,768,000
Common stock options available to grant	1,143,000
Common stock warrants	8,823,529
Exchangeable unsecured notes, BCcomponents	6,176,471
Convertible subordinated notes, LYONs	6,802,000
Convertible subordinated notes, due 2023	23,496,250
Class B common stock	15,382,296
	-----
	70,896,672
	=====

Vishay Intertechnology, Inc.

Notes to Consolidated Financial Statements (continued)

8. Other Income (Expense)

Other income (expense) consists of the following:

	Year ended December 31		
	2003	2002	2001
	(In thousands)		
Foreign exchange (losses) gains	\$ (5,235)	\$ (777)	\$ 611
Gain (loss) on interest rate swaps	3,783	(115)	(3,668)
Interest income	7,228	7,952	15,092
Dividend income	96	100	--
(Losses) gains on disposal of property and equipment	(2,521)	(296)	1,472
Other	(1,062)	1,800	(806)
	<u>\$ 2,289</u>	<u>\$ 8,664</u>	<u>\$ 12,701</u>

On February 13, 2002, a fire occurred at the Company's Electro-Films, Inc. (EFI) facility located in Providence, Rhode Island causing a production stoppage of the product line there. The Company received insurance proceeds based on its costs to replace the assets, which were in excess of the book value of the assets at the time of the fire. This insurance claim has been resolved, and the Company recognized a gain of \$33,906,000 in 2003.

As described in Note 6, on August 6, 2003, the Company issued 3-5/8% convertible subordinated notes due 2023. The proceeds of the offering were utilized to redeem a portion of the outstanding LYONs and all of the General Semiconductor notes, which resulted in a pretax loss of \$9,910,000 in 2003.

See Note 14 for a description of the interest rate swap agreements.

9. Other Accrued Expenses

Other accrued expenses consist of the following (in thousands):

	2003	2002
	----	----
Restructuring	\$ 62,859	\$ 95,127
Sales returns and allowances	47,914	39,803
Accrued loss on tantalum purchase commitment - current portion	31,675	25,334
Other	145,984	143,345
	<u>\$288,432</u>	<u>\$303,609</u>

## Notes to Consolidated Financial Statements (continued)

## 10. Other Comprehensive Income (Loss)

The cumulative balance of each component of other comprehensive income (loss) and the income tax effects allocated to each component are as follows:

	Beginning Balance	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount	Ending Balance
----- (In thousands) -----					
December 31, 2003					
Pension liability adjustment	\$ (36,924)	\$ 2,911	\$ 3,727	\$ 6,638	\$ (30,286)
Currency translation adjustment	(51,729)	111,369	--	111,369	59,640
Derivative financial instruments:					
Loss on derivative financial instruments	(2,462)	(1,321)	--	(1,321)	(3,783)
Reclassification adjustment for gain realized in 2003	--	3,783	--	3,783	3,783
	-----	-----	-----	-----	-----
	\$ (91,115)	\$ 116,742	\$ 3,727	\$ 120,469	\$ 29,354
	=====	=====	=====	=====	=====
December 31, 2002					
Pension liability adjustment	\$ (13,694)	\$ (35,562)	\$ 12,332	\$ (23,230)	\$ (36,924)
Currency translation adjustment	(116,072)	64,343	--	64,343	(51,729)
Loss on derivative financial instruments	(645)	(2,291)	474	(1,817)	(2,462)
	-----	-----	-----	-----	-----
	\$(130,411)	\$ 26,490	\$ 12,806	\$ 39,296	\$ (91,115)
	=====	=====	=====	=====	=====
December 31, 2001					
Pension liability adjustment	\$ (5,137)	\$ (13,281)	\$ 4,724	\$ (8,557)	\$ (13,694)
Currency translation adjustment	(108,434)	(7,638)	--	(7,638)	(116,072)
Loss on derivative financial instruments	--	(1,019)	374	(645)	(645)
	-----	-----	-----	-----	-----
	\$(113,571)	\$ (21,938)	\$ 5,098	\$ (16,840)	\$(130,411)
	=====	=====	=====	=====	=====

## Notes to Consolidated Financial Statements (continued)

## 11. Pensions and Other Postretirement Benefits

## U.S. Pension and Other Postretirement Benefits

The Company maintains several defined benefit pension and nonpension postretirement plans which cover substantially all full-time U.S. employees. The U.S. pension plans of General Semiconductor are included beginning on November 2, 2001. The U.S. pension plan of BLH is included beginning on July 31, 2002.

The Company maintains two unfunded nonpension postretirement plans funded as costs are incurred. One plan is contributory, with employee contributions adjusted for general inflation or inflation in costs under the plan. The plan was amended in 1993 to cap employer contributions at 1993 levels. The second plan covers all full-time U.S. General Semiconductor employees not covered by a collective bargaining agreement who meet defined age and service requirements. This plan is the primary provider of medical benefits for retirees up to age 65, after which Medicare becomes the primary provider. The impact of a one-percentage-point change in assumed health care cost trend rates on the net periodic benefit cost and postretirement benefit obligation is immaterial.

## Obligations and Funded Status (U.S. Plans)

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
(In thousands)				
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 212,909	\$ 193,273	\$ 21,999	\$ 20,286
Service cost	3,394	3,433	247	279
Interest cost	14,057	13,598	1,358	1,465
Employee contributions	1,641	1,680	--	--
Actuarial losses (gains)	9,689	11,141	(1,225)	1,909
Plan amendments	--	--	--	(410)
Benefits paid	(15,249)	(16,090)	(1,201)	(1,530)
Acquisitions	--	5,874	--	--
Benefit obligation at end of year	\$ 226,441	\$ 212,909	\$ 21,178	\$ 21,999
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 147,296	\$ 165,186		
Actual return on plan assets	30,149	(11,224)		
Company contributions	28,081	4,226		
Plan participants' contributions	1,641	1,680		
Benefits paid	(15,249)	(16,090)		
Acquisitions	--	3,518		
Fair value of plan assets at end of year	\$ 191,918	\$ 147,296		
Funded status	\$ (34,523)	\$ (65,613)	\$ (21,178)	\$ (21,999)
Unrecognized net actuarial loss	51,391	60,957	131	1,237
Unrecognized transition (asset) obligation	--	(101)	1,734	1,934
Unamortized prior service cost	243	--	134	182
Net amount recognized	\$ 17,111	\$ (4,757)	\$ (19,179)	\$ (18,646)

## Notes to Consolidated Financial Statements (continued)

## 11. Pensions and Other Postretirement Benefits (continued)

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
	(In thousands)			
Amounts recognized in the consolidated balance sheets for U.S. plans consist of:				
Intangible asset	\$ 243	\$ --	\$ --	\$ --
Accrued benefit liability	(24,743)	(53,439)	(19,179)	(18,646)
Accumulated other comprehensive loss	41,611	48,682	--	--
Net amount recognized	\$ 17,111	\$ (4,757)	\$ (19,179)	\$ (18,646)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the U.S. pension plans with accumulated and projected benefit obligations in excess of plan assets were \$226,441,000, \$216,661,000, and \$191,918,000, respectively, as of December 31, 2003 and \$212,909,000, \$200,634,000, and \$147,296,000, respectively, as of December 31, 2002.

On December 8, 2003, the President of the United States signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). Among the provisions of the Act is a provision granting a subsidy to sponsors of retirement medical plans with prescription drug coverage when the benefit is at least actuarially equivalent to the Medicare Part D benefit. In accordance with FASB Staff Position No. FAS 106-1, measures of the benefit obligation and net periodic postretirement benefit cost do not reflect the effects of the Act on the plan. Specific authoritative accounting guidance on the accounting for the federal subsidy is pending and that guidance, when issued, could require companies, including Vishay, to change previously reported information.

## Components of Net Periodic Benefit Cost (U.S. Plans)

	Pension Benefits			Other Benefits		
	2003	2002	2001	2003	2002	2001
	(In thousands)					
Annual service cost	\$ 5,035	\$ 5,424	\$ 5,388	\$ 247	\$ 279	\$ 240
Less employee contributions	1,641	1,991	2,296	--	--	--
Net service cost	3,394	3,433	3,092	247	279	240
Interest cost	14,057	13,598	9,023	1,358	1,466	678
Expected return on plan assets	(12,521)	(14,227)	(10,048)	--	--	--
Amortization of prior service cost	32	--	6	47	47	93
Amortization of transition obligation	(1)	(201)	311	193	194	194
Amortization of losses	4,285	1,474	514	--	--	--
Net periodic benefit cost	\$ 9,246	\$ 4,077	\$ 2,898	\$ 1,845	\$ 1,986	\$ 1,205



## Notes to Consolidated Financial Statements (continued)

## 11. Pensions and Other Postretirement Benefits (continued)

Weighted-average assumptions used to determine benefit obligations (U.S. Plans) at December 31:

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Discount rate	6.25%	6.75%	6.25%	6.75%
Rate of compensation increase	4.00%	4.50%-6.50%		

Weighted-average assumptions used to determine net cost (U.S. Plans) for years ended December 31:

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Discount rate	6.75%	7.25%	6.75%	7.25%
Expected return on plan assets	8.50%-8.75%	8.50%-9.50%		
Rate of compensation increase	4.50%-6.50%	4.50%-6.50%		

The plans' expected return on assets is based on management's expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, management considers historical and expected returns for the asset classes in which the plans are invested, advice from pension consultants and investment advisors, and current economic and capital market conditions.

## Plan Assets (U.S. Plans)

Asset Category	Percentage of Plan Assets	
	2003	2002
Equity funds	65%	55%
Fixed income funds	30%	45%
Cash and cash equivalents	5%	-
Total	100%	100%

The investment mix between equity securities and fixed income securities is based upon achieving a desired return, balancing higher return, more volatile equity securities, and lower return, less volatile fixed income securities. The Company's domestic defined benefit plans are invested in diversified portfolios of public-market equity and fixed income securities. Investment allocations are made across a range of markets, industry sectors, capitalization sizes, and, in the case of fixed income securities, maturities and credit quality. The plans do not invest in securities of Vishay or its subsidiaries.

## Cash Flows (U.S. Plans)

The Company expects to contribute approximately \$10 million to its U.S. pension plans in 2004.

## Defined Contribution Plans Matching

Many of the Company's U.S. employees are eligible to participate in 401(k) savings plans, some of which provide for Company matching under various formulas. The Company's matching expense for the plans was \$3,401,000, \$2,990,000, and \$3,182,000, for the years ended December 31, 2003, 2002, and 2001, respectively.

## Notes to Consolidated Financial Statements (continued)

## 11. Pensions and Other Postretirement Benefits (continued)

## Foreign Pension Plans

The Company provides pension and similar benefits to employees of certain foreign subsidiaries consistent with local practices. Certain foreign subsidiaries of the Company have defined benefit pension plans. The following table sets forth a reconciliation of the benefit obligation, plan assets, and accrued benefit cost related to the foreign defined benefit plans. The foreign pension plans of General Semiconductor are included as of November 2, 2001. The foreign pension plans of BCcomponents are included as of December 13, 2002.

## Obligations and Funded Status (Foreign Plans)

	2003	2002
	-----	
	(In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 119,173	\$ 93,397
Service cost	834	525
Interest cost	6,945	5,630
Actuarial losses (gains)	8,067	(1,572)
Benefits paid	(6,794)	(4,869)
Foreign currency translation	24,534	13,055
Curtailement gains	(163)	(1,336)
Acquisitions	--	14,343
	-----	
Benefit obligation at end of year	\$ 152,596	\$ 119,173
	=====	
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 14,645	\$ 13,137
Actual return on plan assets	415	(894)
Company contributions	6,747	2,449
Benefits paid	(6,794)	(2,454)
Foreign currency translation	3,546	2,407
	-----	
Fair value of plan assets at end of year	\$ 18,559	\$ 14,645
	=====	
Funded status	\$(134,037)	\$(104,528)
Unrecognized net actuarial losses (gains)	8,118	(636)
Unrecognized transition asset	--	(3)
Unamortized prior service cost	--	21
	-----	
Net amount recognized	\$(125,919)	\$(105,146)
	=====	

## Notes to Consolidated Financial Statements (continued)

## 11. Pensions and Other Postretirement Benefits (continued)

	2003	2002
	-----	
	(In thousands)	
Amounts recognized in the consolidated balance sheets for foreign pension plans consist of:		
Accrued benefit liability	\$(137,320)	\$(110,427)
Accumulated other comprehensive loss	11,401	5,281
	-----	
Net amount recognized	\$(125,919)	\$(105,146)
	=====	
Weighted-average assumptions as of December 31:		
Discount rate	4.00% - 5.50%	6.00% - 6.25%
Rate of compensation increase	2.00% - 3.00%	2.60% - 3.00%

## Components of Net Periodic Benefit Cost (Foreign Plans)

	2003	2002	2001
	-----		
	(In thousands)		
Components of net periodic benefit cost:			
Service cost	\$ 834	\$ 525	\$ 391
Interest cost	6,945	5,630	5,301
Expected return on plan assets	(461)	(489)	(444)
Amortization of prior service cost	23	--	36
Amortization of transition asset	(4)	(3)	(3)
Curtailment gains	(163)	(1,336)	--
Amortization of (gains) losses	(95)	(94)	97
	-----		
Net periodic benefit cost	\$ 7,079	\$ 4,233	\$ 5,378
	=====		

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the foreign pension plans with accumulated benefit obligations and projected benefit obligations in excess of plan assets were \$152,596,000, \$150,487,000, and \$18,559,000, respectively, as of December 31, 2003, and \$119,173,000, \$118,646,000, and \$14,645,000, respectively, as of December 31, 2002.

## Notes to Consolidated Financial Statements (continued)

## 12. Stock Options

Under the 1997 Stock Option Program, certain executive officers, key employees, and consultants of the Company were granted options on May 21, 1998, to purchase 2,687,000 shares of the Company's common stock. The options were fully vested on the date of grant and expire June 1, 2008, with one-third exercisable at \$10.89, one-third exercisable at \$12.53, and one-third exercisable at \$13.61. As of December 31, 2003, options to purchase 528,000 shares have been exercised under this plan.

Under the 1998 Stock Option Program, certain executive officers and key employees were granted options, as summarized in the following table:

Date of Grant	Number of Options	Exercise Price	Vesting	Expiration
October 6, 1998	1,598,000	\$ 5.60	Evenly over 6 years	March 16, 2008
October 8, 1999	1,334,000	15.33	Evenly over 6 years	October 8, 2009
August 4, 2000	50,000	30.00	Evenly over 5 years, beginning August 4, 2003	August 4, 2010
October 12, 2000	1,114,000	25.13	Evenly over 6 years	October 12, 2010
October 1, 2001 through July 20, 2003	27,000	13.46 - 25.07	Evenly over 6 years	October 1, 2011 through July 20, 2013

On May 18, 2000, the stockholders of the Company approved an increase in the number of shares available for grant under Vishay's 1998 Stock Option Program. As a result, the number of shares available for grant under this program increased from 2,953,500 to 4,453,500. As of December 31, 2003, options to purchase 462,000 shares had been exercised under this plan.

On November 2, 2001, Vishay acquired General Semiconductor, which became a wholly owned subsidiary of the Company. As a result of the acquisition, each outstanding option to acquire General Semiconductor common stock became exercisable for shares of Vishay common stock. Based on the conversion ratio in the acquisition of 0.563 of a Vishay share for each General Semiconductor share, the former General Semiconductor options become exercisable in the aggregate for 4,282,000 shares of Vishay common stock. All such options were immediately vested and exercisable as a result of the merger but the terms of the options otherwise remained unchanged. As of December 31, 2003, options to purchase 446,000 shares had been exercised under this plan.

Vishay Intertechnology, Inc.

Notes to Consolidated Financial Statements (continued)

12. Stock Options (continued)

The following table summarizes the Company's stock option activity (number of options in thousands):

	2003		2002		2001	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	9,231	\$ 16.07	9,569	\$ 15.97	5,646	\$ 14.29
Granted	12	14.00	15	17.75	--	--
Exercised	(356)	13.30	(261)	12.12	(86)	9.99
Cancelled	(119)	17.10	(92)	17.14	(273)	17.82
Acquisition of General Semiconductor	--	--	--	--	4,282	18.10
Outstanding at end of year	8,768	\$ 16.17	9,231	\$ 16.07	9,569	\$ 15.97
Exercisable at end of year	7,725	\$ 15.85	7,626	\$ 15.79	7,358	\$ 15.74
Available for future grants	1,143		1,036		958	

The following table summarizes information concerning stock options outstanding and exercisable at December 31, 2003 (number of options in thousands):

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options	Remaining Contractual Life	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$2.64	3	0.57	\$ 2.64	3	\$ 2.64
\$5.60	882	4.76	5.60	699	5.60
\$10.89 - \$12.53	1,289	4.39	11.76	1,289	11.76
\$12.54 - \$13.61	1,214	4.52	13.32	1,209	13.32
\$14.40 - \$14.99	26	7.15	14.69	15	14.85
\$15.33	974	5.77	15.33	638	15.33
\$15.43 - \$16.41	1,220	6.82	16.03	1,220	16.03
\$16.52 - \$20.86	1,343	4.92	18.98	1,339	18.98
\$21.43 - \$25.07	585	2.26	22.43	582	22.42
\$25.13 - \$34.52	1,232	6.49	25.96	731	26.26
Total	8,768		\$ 16.17	7,725	\$ 15.85

Notes to Consolidated Financial Statements (continued)

13. Commitments and Contingencies

Total rental expense under operating leases was \$34,621,000, \$27,652,000, and \$22,994,000, for the years ended December 31, 2003, 2002, and 2001, respectively.

Future minimum lease payments for operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows: 2004 - \$24,106,000; 2005 - \$17,961,000; 2006 - \$14,818,000; 2007 - \$12,735,000; 2008 - \$2,039,000; and thereafter - \$3,591,000.

Environmental Matters

The Company is subject to various federal, state, local and foreign laws and regulations governing environmental matters, including the use, discharge and disposal of hazardous materials. The Company's manufacturing facilities are believed to be in substantial compliance with current laws and regulations. Complying with current laws and regulations has not had a material adverse effect on the Company's financial condition.

The Company has engaged environmental consultants and attorneys to assist management in evaluating potential liabilities related to environmental matters. Management assesses the input from these consultants along with other information known to the Company in its effort to continually monitor these potential liabilities. Management assesses its environmental exposure on a site-by-site basis, including those sites where the Company has been named as a "potentially responsible party." Such assessments include the Company's share of remediation costs, information known to the Company concerning the size of the hazardous waste sites, their years of operation and the number of past users and their financial viability.

As part of the acquisition of General Semiconductor by Vishay on November 2, 2001, the Company assumed ongoing environmental matters. The Company has accrued \$18,700,000 as of December 31, 2003 for environmental matters relating to ongoing environmental matters at its General Semiconductor subsidiary, which it acquired in November 2001. This accrual does not include potential liability in connection with litigation relating to a former facility of General Semiconductor in Hicksville, New York, as to which the Company does not believe it is currently able to reasonably estimate the amount of any potential liability. As part of the acquisition of BCComponents in 2002, the Company has recorded environmental liabilities of \$8,400,000. The Company has also accrued approximately \$5,600,000 at December 31, 2003 for other environmental matters, primarily at its Vitramon subsidiary in the United States. The liabilities recorded for these matters total \$32,700,000, of which \$9,200,000 is included in other accrued liabilities on the consolidated balance sheet, and \$23,500,000 is included in other non-current liabilities on the consolidated balance sheet.

While the ultimate outcome of these matters cannot be determined, management does not believe that the final disposition of these matters will have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows beyond the amounts previously provided for in the consolidated financial statements. The Company's present and past facilities have been in operation for many years, and over that time in the course of those operations, such facilities have used substances which are or might be considered hazardous, and the Company has generated and disposed of wastes which are or might be considered hazardous. Therefore, it is possible that additional environmental issues may arise in the future, which the Company cannot now predict.

Litigation

The Company is a party to various claims and lawsuits arising in the normal course of business. The Company is of the opinion that these litigations or claims will not have a material negative effect on its consolidated financial position, results of operations, or cash flows.

14. Financial Instruments

The Company uses financial instruments in the normal course of its business, including derivative financial instruments, for purposes other than trading. These financial instruments include debt and interest rate swap agreements. The notional or contractual amounts of these commitments and other financial instruments are discussed below.

Concentration of Credit Risk

Financial instruments with potential credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents with various major financial institutions. Concentrations of credit risk with respect to receivables are generally limited due to the Company's large number of customers and their dispersion across many countries and industries. At December 31, 2003 and 2002, the Company had no significant concentrations of credit risk.

Interest Rate Swap Agreements

In August 1998, the Company entered into six interest rate swap agreements, with a total notional amount of \$300,000,000 to manage interest rate risk related to its multicurrency revolving line of credit. These interest rate swap agreements required the Company to make payments to the counterparties at the fixed rate stated in the agreements, and in return to receive payments from the counterparties at variable rates. As of December 31, 2002, five of these six agreements had been terminated. The final agreement expired in 2003. At December 31, 2002 and 2001, the Company paid a weighted average fixed rate of 5.77%, and received a weighted average variable rate of 1.40%, and 1.93%, respectively. The fair value of the interest rate swap agreements, based on current market rates, approximated a net payable of \$3,309,000 at December 31, 2002. During the year ended December 31, 2003, the Company had a pretax gain of \$3,783,000 related to the expiration of the final swap agreement. During the years ended December 31, 2002 and 2001, the Company recorded pretax losses of \$115,000 and \$3,668,000, respectively, relating to interest rate swap agreements that were ineffective hedges. See Note 8.

Cash and Cash Equivalents, Accounts Receivable, Notes Payable, and Long-Term Debt

The carrying amounts of cash and cash equivalents, accounts receivable, and notes payable reported in the consolidated balance sheets approximate their fair values. The fair value of the long-term debt is approximately \$1,084,000,000, as compared to its carrying value of \$837,888,000. The fair value of long-term debt was estimated based on trading prices and market prices of debt with similar terms and features.

15. Current Vulnerability Due to Certain Concentrations

Market Concentrations

A material portion of the Company's revenues is derived from the worldwide communications and computer markets. These markets have historically experienced wide variations in demand for end products. If demand for these end products should decrease, the producers thereof could reduce their purchases of the Company's products, which could have a material adverse effect on the Company's results of operations and financial position.

Sources of Supply

Although most materials incorporated in the Company's products are available from a number of sources, certain materials (particularly tantalum and palladium) are available only from a relatively limited number of suppliers.

Many of Vishay's products require the use of raw materials that are produced in only a limited number of regions around the world or are available from only a limited number of suppliers. Vishay's consolidated results of operations may be materially and adversely affected if Vishay has difficulty obtaining these raw materials, the quality of available raw materials deteriorates or there are significant price increases for these raw materials. For example, the prices for tantalum and palladium, two raw materials that Vishay uses in its capacitors, are subject to fluctuation. For periods in which the prices of these raw materials are rising, Vishay may be unable to pass on the increased cost to Vishay's customers, which would result in decreased margins for the products in which they are used. For periods in which the prices are declining, Vishay may be required to write down its inventory carrying cost of these raw materials which, depending on the extent of the difference between market price and its carrying cost, could have a material adverse effect on Vishay's net earnings.

Vishay is a major consumer of the world's annual production of tantalum. Tantalum, a metal purchased in powder or wire form, is the principal material used in the manufacture of tantalum capacitors. There are currently three major suppliers that process tantalum ore into capacitor grade tantalum powder. Due to the strong demand for its tantalum capacitors and difficulty in obtaining sufficient quantities of tantalum powder from its suppliers, Vishay stockpiled tantalum ore in 2000 and early 2001. During 2001, Vishay and its competitors experienced a significant decline in the tantalum capacitor business. The market prices for tantalum also decreased significantly during 2002 and 2003. As a result, Vishay recorded, in costs of products sold, write-downs of \$5,406,000, \$25,700,000, and \$52,000,000, respectively, to reduce tantalum inventories on hand to market value during the years ended December 31, 2003, 2002, and 2001, respectively. The net book value of tantalum inventories was \$95,432,000 and \$49,609,000 at December 31, 2003 and 2002, respectively. Amounts in excess of a one-year supply are included in non-current assets. At December 31, 2003, other assets included \$28,724,000 of tantalum inventories in excess of quantities expected to be used within one year. The Company also recorded losses on future purchase commitments for tantalum of \$11,392,000 and \$106,000,000 for the years ended December 31, 2003 and 2002, respectively. Vishay's purchase commitments were entered into at a time when market demand for tantalum capacitors was high and tantalum powder was in short supply. As a result of purchases during 2003, the accrual for these purchase commitments decreased by approximately \$28,000,000. The balance of the purchase commitment liability at December 31, 2003 and 2002 was approximately \$89,400,000 and \$106,000,000, respectively. The purchase commitment liability expected to be utilized within one year of \$31,675,000 and \$25,334,000 at December 31, 2003 and 2002, respectively, is recorded in other accrued expenses on the consolidated balance sheets. The remaining purchase commitment liability is recorded in other liabilities on the consolidated balance sheets. If the downward pricing trend were to continue, the Company could again be required to write down the carrying value of its tantalum inventory and record additional losses on its long-term purchase commitments.



15. Current Vulnerability Due to Certain Concentrations (continued)

The Company is obligated to make purchases of tantalum of approximately \$103,800,000 in 2004; \$116,600,000 in 2005, and \$60,100,000 in 2006. The Company purchased \$107,906,000, \$53,280,000, and \$23,395,000, under these contracts during the years ended December 31, 2003, 2002, and 2001, respectively. As long as Vishay is in compliance with its purchase obligations under the Cabot contracts, its minimum purchase commitments will not increase. If Vishay were to default under its commitments, then the minimum requirements would revert to the quantities specified in the contracts prior to their modification in July 2002, and increase to \$147,600,000 in 2004, \$149,300,000 in 2005, and \$81,300,000 in 2006. Vishay believes that the likelihood that it would default on its obligations under the contracts is remote.

Palladium, a metal used to produce multi-layer ceramic capacitors, is currently found primarily in South Africa and Russia. Palladium is a commodity product that is subject to price volatility. The price of palladium has fluctuated in the range of approximately \$148 to \$1,090 per troy ounce during the last three years. As of December 31, 2003, the price of palladium was approximately \$195 per troy ounce. During the years ended December 31, 2003, 2002, and 2001, respectively, the Company recorded in costs of products sold write-downs of \$1,585,000, \$1,700,000, and \$18,000,000, respectively, to reduce palladium inventories on hand to market value. The net book value of palladium inventories was \$4,384,000 and \$5,644,000 at December 31, 2003 and 2002, respectively.

From time to time, there have been short-term market shortages of raw material utilized by Vishay. While these shortages have not historically adversely affected Vishay's ability to increase production of products containing tantalum and palladium, they have historically resulted in higher raw material cost for Vishay. Vishay cannot assure that any of these market shortages in the future would not adversely affect Vishay's ability to increase production, particularly during periods of growing demand for Vishay's products.

Geographic Concentration

To address the increasing demand for its products and to lower its costs, the Company has expanded, and plans to continue to expand, its manufacturing operations in Israel in order to take advantage of that country's lower wage rates, highly skilled labor force, government-sponsored grants, and various tax abatement programs. Israeli incentive programs have contributed substantially to the growth and profitability of the Company. The Company might be materially and adversely affected if these incentive programs were no longer available to the Company or if events were to occur in the Middle East that materially interfered with the Company's operations in Israel.

## Notes to Consolidated Financial Statements (continued)

## 16. Business Segment and Geographic Area Data

Vishay designs, manufactures, and markets electronic components that cover a wide range of products and technologies. The Company has two reportable segments: Passive Electronic Components (Passives) consisting principally of fixed resistors, solid tantalum surface mount chip capacitors, solid tantalum leaded capacitors, wet/foil tantalum capacitors, multi-layer ceramic chip capacitors, film capacitors and inductors, and Active Electronic Components (Actives) consisting principally of diodes, transistors, power MOSFETs, power conversion, motor control integrated circuits, optoelectronic components and IRDCs. The Company evaluates business segment performance on operating income, exclusive of certain items. Management believes that evaluating segment performance excluding items such as restructuring, inventory write-downs, losses on purchase commitments, losses on early extinguishment of debt, gains on insurance proceeds, write-offs of in-process research and development, and other charges is meaningful because it provides insight with respect to ongoing operating results.

The Company evaluates performance and allocates resources based on several factors, of which the primary financial measure is business segment operating income excluding amortization of intangibles and special charges. The accounting policies of the business segments are the same as those described in the summary of significant accounting policies (see Note 1). The operating results of Passives reflect the acquisitions of BCcomponents as of December 31, 2002, Celtron as of October 1, 2002, BLH/Nobel as of August 1, 2002, Tedea-Huntleigh BV as of June 1, 2002, and Sensortronics as of January 31, 2002. The operating results of Actives reflect the acquisitions of Infineon Malaysia optoelectronic infrared components business as of December 31, 2001, General Semiconductor as of November 2, 2001, and Infineon U.S. optoelectronic infrared components business as of July 27, 2001. Business segment assets are the owned or allocated assets used by each business.

The corporate component of operating income represents corporate selling, general, and administrative expenses. Corporate assets include corporate cash, property and equipment, and certain other assets.

Business segment information	2003	2002	2001
	----- (In thousands) -----		
Net sales:			
Passives	\$ 1,104,856	\$ 767,246	\$ 1,010,634
Actives	1,065,741	1,055,567	644,712
	-----	-----	-----
	\$ 2,170,597	\$ 1,822,813	\$ 1,655,346
	=====	=====	=====
Operating income (loss):			
Passives	\$ 6,776	\$ (61,317)	\$ 60,137
Actives	114,498	139,140	65,181
Corporate	(22,350)	(20,801)	(21,970)
Restructuring and severance costs	(29,560)	(30,970)	(61,908)
Purchased research and development	--	--	(16,000)
Loss on long-term purchase commitments	(11,392)	(106,000)	--
Amortization of goodwill	--	--	(11,190)
	-----	-----	-----
	\$ 57,972	\$ (79,948)	\$ 14,250
	=====	=====	=====
Restructuring and severance costs:			
Passives	\$ 26,288	\$ 30,049	\$ 57,498
Actives	3,272	921	4,410
	-----	-----	-----
	\$ 29,560	\$ 30,970	\$ 61,908
	=====	=====	=====

Vishay Intertechnology, Inc.

Notes to Consolidated Financial Statements (continued)

16. Business Segment and Geographic Area Data (continued)

	2003	2002	2001
	----- (In thousands) -----		
Depreciation expense:			
Passives	\$ 90,133	\$ 80,084	\$ 83,735
Actives	85,821	87,609	61,238
Corporate	4,752	4,481	4,252
	-----	-----	-----
	\$ 180,706	\$ 172,174	\$ 149,225
	=====	=====	=====
Interest expense:			
Passives	\$ 2,977	\$ 963	\$ 680
Actives	7,452	10,545	1,988
Corporate	27,402	17,253	14,180
	-----	-----	-----
	\$ 37,831	\$ 28,761	\$ 16,848
	=====	=====	=====
Income tax provision (benefit):			
Passives	\$ 6,422	\$ (33,674)	\$ (2,912)
Actives	15,133	21,286	11,862
Corporate	(10,027)	(4,512)	(3,255)
	-----	-----	-----
	\$ 11,528	\$ (16,900)	\$ 5,695
	=====	=====	=====
Total assets:			
Passives	\$ 2,170,105	\$ 2,125,443	
Actives	2,280,737	2,046,944	
Corporate	121,671	142,772	
	-----	-----	
	\$ 4,572,513	\$ 4,315,159	
	=====	=====	
Capital expenditures:			
Passives	\$ 53,500	\$ 45,105	\$ 91,028
Actives	72,051	62,933	68,463
Corporate	1,084	2,036	3,002
	-----	-----	-----
	\$ 126,635	\$ 110,074	\$ 162,493
	=====	=====	=====

Vishay Intertechnology, Inc.

Notes to Consolidated Financial Statements (continued)

16. Business Segment and Geographic Area Data (continued)

The following geographic area data include net sales based on revenues generated by subsidiaries located within that geographic area and property and equipment based on physical location:

	2003	2002	2001
	-----		
	(In thousands)		
Geographic area information			
Net sales:			
United States	\$ 444,952	\$ 482,154	\$ 638,326
Germany	534,019	382,932	452,839
Asia Pacific	595,241	542,859	315,550
France	156,124	69,635	85,046
Israel	130,852	75,238	32,646
Other	309,409	269,995	130,939
	-----	-----	-----
	\$2,170,597	\$1,822,813	\$1,655,346
	=====	=====	=====
Property and equipment - net:			
United States	\$ 255,928	\$ 307,783	
Germany	152,722	154,288	
Israel	312,632	328,315	
Asia Pacific	278,109	253,937	
France	38,200	37,687	
Other	182,204	192,840	
	-----	-----	
	\$1,219,795	\$1,274,850	
	=====	=====	

## Notes to Consolidated Financial Statements (continued)

## 17. Earnings (Loss) per Share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the periods presented. Diluted earnings (loss) per share is computed using the weighted average number of common shares outstanding adjusted to include the potentially dilutive effect of stock options granted under the Company's 1997 and 1998 stock option plans (see Note 12), stock options assumed in the acquisition of General Semiconductor (see Notes 2 and 12), and other potentially dilutive securities.

The following table sets forth the computation of basic and diluted earnings (loss) per share (in thousands, except per share amounts):

	2003	Year ended December 31 2002	2001
	-----	-----	-----
Numerator			
Numerator for basic earnings (loss) per share - net earnings (loss)	\$ 26,842 =====	\$ (92,614) =====	\$ 513 =====
Denominator			
Denominator for basic earnings (loss) per share - weighted average shares outstanding	159,631	159,413	141,171
Effect of dilutive securities:			
Employee stock options	729	--	1,201
Other	83	--	142
	-----	-----	-----
Dilutive potential common shares	812	--	1,343
	-----	-----	-----
Denominator for diluted earnings (loss) per share - adjusted weighted average shares	160,443 =====	159,413 =====	142,514 =====
Basic earnings (loss) per share	\$ 0.17 =====	\$ (0.58) =====	\$ 0.00 =====
Diluted earnings (loss) per share	\$ 0.17 =====	\$ (0.58) =====	\$ 0.00 =====

Notes to Consolidated Financial Statements (continued)

17. Earnings (Loss) per Share (continued)

Diluted earnings per share do not reflect the following, as the effect would be antidilutive for the periods presented:

- o Assumed conversion of the Company's LYONs, due 2021. At December 31, 2002 and 2001, these notes were convertible into 9,717,730 shares of the Company's common stock. As described in Note 6, the Company repurchased some of these notes during 2003. At December 31, 2003, the outstanding notes are convertible into approximately 6,802,000 shares of the Company's common stock.
- o Assumed conversion of the convertible subordinated notes of General Semiconductor, acquired November 2, 2001. At December 31, 2002 and 2001, these notes were convertible into 6,191,161 shares of the Company's common stock. As described in Note 6, these notes were fully redeemed on September 10, 2003.
- o Assumed exchange of the convertible notes of Vishay from the December 13, 2002 acquisition of BCcomponents, for the years ended December 31, 2003 and 2002. These notes are exchangeable for 6,176,471 shares of the Company's common stock.
- o Weighted average outstanding warrants of 7,074,000 and 435,000, for the years ended December 31, 2003 and 2002, respectively. The warrants were issued on December 13, 2002 in connection with the acquisition of BCcomponents.
- o Weighted average outstanding stock options for the years ended December 31, 2003, 2002, and 2001, to purchase 5,663,000 shares, 9,231,000 shares, and 1,164,000 shares, respectively, of common stock.
- o Assumed conversion of the Company's 3-5/8% convertible subordinated notes, due 2023. As described in Note 6, the Company issued subordinated notes in the third quarter of 2003, which are convertible into 23,496,250 shares of common stock upon the occurrence of certain events.

18. Related Party Transactions

On December 12, 2002, the Company's Board of Directors passed resolutions to terminate the stock purchase programs for corporate officers and key employees (together the "Plan") and to offer to all Plan participants the opportunity to surrender to the Company the shares of Vishay common stock purchased with their Plan loans in satisfaction of such loans and all accrued interest thereon. Under the resolutions, the Company agreed that it would compensate the Plan participants for any income tax that the participants are required to recognize as a result of the surrender. Two directors of the Company are among the participants in the Plan. For all Plan participants, the current market value of the Vishay common stock purchased with Plan loans is significantly below the outstanding balances of the loans. The Company recorded a write-down for the loans and accrued interest, and an accrual for compensation expense attributable to taxes owing by Plan participants on surrender, totaling \$2,591,000 as of December 31, 2002. This amount was recorded in selling, general, and administrative expense in 2002.

19. Summary of Quarterly Financial Information (Unaudited)

Quarterly financial information for the years ended December 31, 2003 and 2002 is as follows (in thousands, except per share amounts):

	First Quarter		Second Quarter		Third Quarter	
	2003(4)(10)	2002(1)(5)	2003(4)(11)	2002(1)(6)	2003(4)(12)	2002(1)(2)(7)
Net sales	\$ 532,127	\$ 434,140	\$ 538,103	\$ 457,877	\$ 533,168	\$ 471,419
Gross profit	118,510	86,937	123,299	107,565	102,463	107,227
Net earnings (loss)	6,848	2,420	2,880	15,617	6,775	13,114
Basic earnings (loss) per share	\$ 0.04	\$ 0.02	\$ 0.02	\$ 0.10	\$ 0.04	\$ 0.08
Diluted earnings (loss) per share	\$ 0.04	\$ 0.02	\$ 0.02	\$ 0.10	\$ 0.04	\$ 0.08

  

	Fourth Quarter		Total Year	
	2003(4)(13)	2002(1)(2)(3)(8)	2003(4)(14)	2002(1)(2)(3)(9)
Net sales	\$ 567,199	\$ 459,377	\$ 2,170,597	\$ 1,822,813
Gross profit	124,666	(39,456)	468,938	262,273
Net earnings (loss)	10,339	(123,765)	26,842	(92,614)
Basic earnings (loss) per share	\$ 0.06	\$ (0.78)	\$ 0.17	\$ (0.58)
Diluted earnings (loss) per share	\$ 0.06	\$ (0.78)	\$ 0.17	\$ (0.58)

- (1) Includes the results of Sensortronics from January 31, 2002.  
(2) Includes the results of Tedeo-Huntleigh from July 1, 2002 and BLH and Nobel from August 1, 2002.  
(3) Includes the results of Celtron from October 1, 2002.  
(4) Includes the results of BCcomponents, acquired December 13, 2002  
(5) Includes restructuring and severance costs of \$3,024,000.  
(6) Includes restructuring and severance costs of \$1,907,000.  
(7) Includes restructuring and severance costs of \$2,567,000 and write-down of palladium inventory of \$600,000.  
(8) Includes restructuring and severance costs of \$23,472,000, losses of future purchase commitments of \$106,000,000, and write-downs of tantalum and palladium inventories of \$25,700,000 and \$1,100,000, respectively.  
(9) Includes restructuring and severance costs of \$30,970,000, losses of future purchase commitments of \$106,000,000, and write-downs of tantalum and palladium inventories of \$25,700,000 and \$1,700,000, respectively.  
(10) Includes restructuring and severance costs of \$687,000.  
(11) Includes restructuring and severance costs of \$12,258,000.  
(12) Includes restructuring and severance costs of \$6,313,000, losses on future purchase commitments of \$11,392,000, write-down of tantalum inventory of \$4,185,000, loss on extinguishment of debt of \$9,910,000, and gain on insurance claim of \$30,361,000.  
(13) Includes restructuring and severance costs of \$10,302,000, write-down of tantalum inventory of \$1,221,000, and gain on insurance claim of \$3,545,000.  
(14) Includes restructuring and severance costs of \$29,560,000, losses on future purchase commitments of \$11,392,000, write-downs of tantalum inventory of \$5,406,000, loss on extinguishment of debt of \$9,910,000, and gain on insurance claim of \$33,906,000.

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VISHAY INTERTECHNOLOGY, INC.

SECOND AMENDED AND RESTATED

LONG TERM REVOLVING CREDIT AGREEMENT

DATED AS OF JULY 31, 2003

COMERICA BANK,  
AS CO-LEAD ARRANGER, CO-BOOK RUNNING MANAGER AND ADMINISTRATIVE AGENT,  
FLEET SECURITIES, INC., AS CO-LEAD ARRANGER, CO-BOOK RUNNING MANAGER AND  
SYNDICATION AGENT,

WACHOVIA BANK, NATIONAL ASSOCIATION, J.P. MORGAN AND  
BANK OF AMERICA, N.A.,  
AS DOCUMENTATION AGENTS

AND

BANK LEUMI USA, AS MANAGING AGENT

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SECOND AMENDED AND RESTATED LONG TERM  
REVOLVING CREDIT AGREEMENT  
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THIS SECOND AMENDED AND RESTATED LONG TERM REVOLVING CREDIT AGREEMENT ("Agreement") is made as of the 31st day of July, 2003 by and among the Lenders (as defined below), Comerica Bank, as Co-Lead Arranger, Co-Book Running Manager and Administrative Agent for the Lenders (in its capacity as Administrative Agent, "Agent"), Fleet Securities, Inc., as Co-Lead Arranger, Co-Book Running Manager and Syndication Agent (in its capacity as Syndication Agent, "Syndication Agent"), Vishay Intertechnology, Inc., a Delaware corporation ("Company") and the Permitted Borrowers (as defined below and collectively with the Company, the "Borrowers") from time to time signatory hereto.

RECITALS

A. Company has requested that the Lenders amend, renew and/or extend to it and the Permitted Borrowers revolving credit and letters of credit as previously extended to Company and the Permitted Borrowers under that certain Amended and Restated Long Term Revolving Credit Agreement dated as of June 1, 1999, by and among Company, Agent and the Lenders, as amended (the "Prior Credit Agreement") on the terms and conditions set forth herein.

B. The Lenders are prepared to extend such credit, as aforesaid, by amendment, restatement and renewal (but not in novation) of the Prior Credit Agreement, but only upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, COMPANY, PERMITTED BORROWERS, AGENT, AND THE LENDERS AGREE:

1. DEFINITIONS

1.1 Certain Defined Terms.

For the purposes of this Agreement the following terms will have the following meanings:

"Account Party(ies)" shall mean, with respect to any Letter of Credit, the account party or parties (which shall be Company and/or any Permitted Borrower and/or any Significant Subsidiary which is not a Permitted Borrower hereunder jointly and severally with the Company) as named in an application to the Agent for the issuance of such Letter of Credit.

"Additional Debt Issuance Date" shall mean the date upon which the Company issues the New Convertible Subordinated Debt.

"Advance(s)" shall mean, as the context may indicate, a borrowing requested by Company or by a Permitted Borrower, and made by Lenders under Section 2.1 of this Agreement, as the case may be, or requested by the Company or by a Permitted Borrower and made by the Swing Line Bank under Section 2.5 hereof (including without limitation any

readvance, refunding or conversion of such borrowing pursuant to Section 2.3 or 2.5(c) hereof) and any advance in respect of a Letter of Credit under Section 3.6 hereof (including without limitation the unreimbursed amount of any draws under Letters of Credit) and shall include, as applicable, a Eurocurrency-based Advance, a Quoted Rate Advance, a Prime-based Advance and a Swing Line Advance.

"Affiliate" shall mean, with respect to any Person, any other Person or group acting in concert in respect of the first Person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with such first Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person or group of Persons, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"Agent" shall mean Comerica Bank, a Michigan banking corporation, acting as administrative agent hereunder or any successor administrative agent appointed in accordance with Section 12.4 hereof.

"Agents" shall mean Agent and Syndication Agent.

"Agent's Correspondent" shall mean for Advances in eurodollars, Agent's Grand Cayman Branch (or for the account of said branch office, at Agent's main office in Detroit, Michigan, United States); for Advances in other Alternative Currencies, at such bank or banks as Agent may from time to time designate by written notice to Company, the Permitted Borrowers and the Lenders.

"Agent's Fees" shall mean those fees and expenses required to be paid by Company to Agent under Section 12.8 hereof.

"Alternate Base Rate" shall mean, for any day, an interest rate per annum equal to the Federal Funds Effective Rate in effect on such day, plus one percent (1%).

"Alternative Currency" shall mean each of the following currencies, as applicable hereunder: the Euro, Japanese Yen ("Y") and British Pounds Sterling ("Sterling") and, subject to availability and to the terms and conditions of this Agreement, such other freely convertible foreign currencies, as requested by the Company or the Permitted Borrowers and acceptable to Agent and the Lenders, in their reasonable discretion.

"Applicable Fee Percentage" shall mean, as of any date of determination thereof, the applicable percentage used to calculate certain of the fees due and payable hereunder, determined by reference to the appropriate columns in the Pricing Matrix attached to this Agreement as Schedule 4.1.

"Applicable Interest Rate" shall mean the Eurocurrency-based Rate, the Prime-based Rate or, with respect to Swing Line Advances, the Quoted Rate, as selected by Company or a Permitted Borrower from time to time subject to the terms and conditions of this Agreement.



"Applicable Margin" shall mean, as of any date of determination thereof, the applicable interest rate margin, determined by reference to the appropriate columns in the Pricing Matrix attached to this Agreement as Schedule 4.1.

"Arrangers' Fee" shall mean those certain fees payable to the Agents in the amount set forth in the Fee Letter or such other fee letter as may be in effect from time to time.

"Assignment Agreement" shall have the meaning ascribed to such term in Section 13.8(c) hereof.

"Authorized Officer" shall mean the Chairman, any Vice Chairman, President, Treasurer, CFO, or the Corporate Controller of the Company or any applicable Subsidiary, as the case may be, or any person otherwise designated by the Company or such Subsidiary, as the case may be, as having the authority to act for the Company or such Subsidiary in the particular instance.

"BCC Acquisition" shall mean the acquisition by the Company, directly or through its subsidiaries, of BCcomponents and its subsidiaries (and related property and interests) pursuant, subject to the terms hereof, to the BCC Acquisition Documents.

"BCC Acquisition Documents" shall mean the BCC Share Purchase Agreement, together with all other related documents and instruments (including conveyances) executed and delivered in connection with the BCC Acquisition, as amended (subject to the terms hereof) from time to time.

"BCcomponents" shall mean BCcomponents Holdings B.V., a Dutch private limited liability company.

"BCC Replacement Financing" shall mean the debt issued by the Company to refinance the mezzanine debt issued by BCcomponents prior to the BCC Acquisition.

"BCC Share Purchase Agreement" shall mean that certain Share Sale and Purchase Agreement dated November 10, 2002 by and among the BCC Shareholders, the Foundation, BCcomponents International BV (each such term being defined therein), the Company and Vishay Europe, as amended (subject to the terms hereof) from time to time.

"Borrowers" is defined in the preamble.

"Business Day" shall mean any day on which commercial banks are open for domestic and international business (including dealings in foreign exchange) in Detroit, London and New York, and if funds are to be paid or made available in any Alternative Currency, on such day in the place where such funds are to be paid or made available and, if the applicable Business Day relates to the borrowing or payment of a Eurocurrency-based Advance denominated in Euros, on which banks and foreign exchange markets are open for business in the city where disbursements of or payments on such Advance are to be made which is a Trans-European Business Day.

"Call Notices" shall have the meaning specified in Section 7.21 hereof.

"Capital Expenditures" shall mean, without duplication, any amounts paid or accrued for a period in respect of any purchase or other acquisition for value of fixed or capital assets net of the cash proceeds of any grant received during such period by the Company or any of its Subsidiaries from the government of Israel (or any agency or political subdivision thereof) under the Israeli Capital Investment Act, up to the aggregate amount of capital additions in Israel during such period; provided that, in no event shall Capital Expenditures include amounts expended in respect of normal repair and maintenance of plant facilities, machinery, fixtures and other like capital assets utilized in the ordinary conduct of business (to the extent such amounts would not be capitalized in preparing a balance sheet determined in accordance with GAAP).

"Collateral" shall mean all property or rights in which a security interest, mortgage, lien or other encumbrance for the benefit of the Lenders is or has been granted or arises or has arisen, under or in connection with this Agreement, the other Loan Documents, or otherwise.

"Collateral Documents" shall mean the Security Agreements and the Pledge Agreements, in each case as may be amended or otherwise modified from time to time.

"Company" is defined in the Preamble.

"Consolidated" or "Consolidating" shall, when used with reference to any financial information pertaining to (or when used as a part of any defined term or statement pertaining to the financial condition of) Company and its Subsidiaries mean the accounts of Company and its Subsidiaries determined on a consolidated or consolidating basis, as the case may be, all determined as to principles of consolidation and, except as otherwise specifically required by the definition of such term or by such statements, as to such accounts, in accordance with GAAP, applied on a consistent basis and consistent with the financial statements, if any, as at and for the fiscal year ended December 31, 2002.

"Consolidated EBITDA" shall mean the EBITDA of the Company and its Subsidiaries on a Consolidated basis.

"Contractual Obligation" shall mean, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"Covenant Compliance Report" shall mean the report to be furnished by the Company to the Agent, substantially in the form attached hereto as Exhibit D, as such exhibit may be amended or otherwise modified from time to time by the Required Lenders, and certified by the chief financial officer of the Company pursuant to Section 7.3(c), hereof, for the purpose of monitoring the Company's and each Permitted Borrower's compliance herewith and to notify the Lenders of the acquisition or creation of new Subsidiaries.

"Current Dollar Equivalent" shall mean, as of any applicable date of determination, with respect to any Advance or Letter of Credit made, issued or carried in an Alternative Currency, the amount of Dollars which is equivalent to the then outstanding principal amount of such Advance or Letter of Credit at the most favorable spot exchange rate determined by the Agent to be available to it for the sale of Dollars for such Alternative Currency for delivery at approximately 11:00 A.M. (Detroit time) two (2) Business Days after such date.  
Alternative

Currency equivalents of Advances in Dollars (to the extent used herein) shall be determined by Agent in a manner consistent herewith.

"Debt" shall mean, as of any applicable date of determination, all items of indebtedness, obligation or liability of a Person, whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, joint or several, that should be classified as liabilities on a balance sheet and/or in accompanying footnotes in accordance with GAAP.

"Default" shall mean any event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default.

"Dollar Amount" shall mean (i) with respect to each Advance or Letter of Credit made, issued or carried (or to be made, issued or carried) in Dollars, the principal amount thereof and (ii) with respect to each Advance or Letter of Credit made, issued or carried (or to be made or carried) in an Alternative Currency, the amount of Dollars which is equivalent to the principal amount of such Advance or Letter of Credit at the most favorable spot exchange rate determined by the Agent to be available to it for the sale of Dollars for such Alternative Currency at approximately 11:00 A.M. (Detroit time) two (2) Business Days before such Advance or Letter of Credit is made or issued (or to be made or issued), as such Dollar Amount may be adjusted from time to time pursuant to Section 2.11 hereof. When used with respect to any Alternative Currency portion of an Advance or Letter of Credit being repaid or remaining outstanding at any time or with respect to any other sum expressed in an Alternative Currency, "Dollar Amount" shall mean the amount of Dollars which is equivalent to the principal amount of such Advance or Letter of Credit, or the amount so expressed in such Alternative Currency, at the most favorable spot exchange rate determined by the Agent to be available to it for the sale of Dollars for such Alternative Currency at the relevant time. Alternative Currency amounts of Advances made, carried or expressed in Dollars (to the extent used herein) shall be determined by Agent in a manner consistent herewith.

"Dollars" and the sign "\$" shall mean lawful money of the United States of America.

"Domestic Advance" shall mean any Advance other than a Eurocurrency-based Advance or any other Advance denominated in an Alternative Currency.

"Domestic Guaranty" shall mean that certain Amended and Restated Domestic Guaranty delivered to Agent covering all Indebtedness outstanding from the Company and the Permitted Borrowers executed and delivered as of the date hereof (or to be executed and delivered by joinder) by the Company and each of the Significant Domestic Subsidiaries, as amended or otherwise modified from time to time.

"Domestic Permitted Borrower" shall mean any Permitted Borrower which is not a Foreign Permitted Borrower.

"Domestic Subsidiary" shall mean any Subsidiary of the Company incorporated or organized under the laws of the United States of America, or any state or other political subdivision thereof or which is considered to be a "disregarded entity" for purposes of Section 956 of the Internal Revenue Code, in each case provided such Subsidiary is owned by the Company or a Domestic Subsidiary; and "Domestic Subsidiaries" shall mean any or all of them.

"EBITDA" shall mean, of any Person, for any period, the Net Income of such Person for such period adjusted (A) to include, if applicable, the Net Income of any Person accrued during such period but prior to the date it became a Subsidiary of the Company or was merged into or consolidated with the Company (based on financial information reasonably satisfactory to the Agent), and (B) to exclude, without duplication, the following items of income or expense to the extent that such items are included in the calculation of such Net Income: (a) Interest Expense, (b) any non-cash expenses and charges, (c) total income tax expense, (d) depreciation expense, (e) the expense associated with amortization of intangible and other assets, (f) non-cash provisions for reserves for discontinued operations, (g) any extraordinary, unusual or non-recurring gains or losses or charges or credits, (h) any gain or loss associated with the sale or write-down of assets, (i) any gain or loss from or attributable to minority interests and (j) any gain or loss accounted for by the equity method of accounting (except in the case of income to the extent of the amount of cash dividends or cash distributions paid to such Person or any Subsidiary of such Person by the entity accounted for by the equity method of accounting).

"Effective Date" shall mean August 5, 2003, or such later date (but not later than September 30, 2003) on which all of the conditions precedent set forth in Sections 5.1 through 5.10 hereof have been satisfied, as confirmed in writing by the Agent.

"EMU" shall mean Economic and Monetary Union as contemplated in the Treaty on European Union.

"EMU Legislation" shall mean legislative measures of the European Council (including European Council regulations) for the introduction of, changeover to or operation of a single or unified European currency (whether known as the Euro or otherwise), being in part the implementation of the third stage of EMU.

"Environmental Auditors" shall mean, when selected or retained by the Company or the Agents, as the case may be hereunder, such counsel, engineering or testing firms or other experienced, reputable environmental consultants reasonably acceptable to the Required Lenders.

"Equity Offering" shall mean the issuance and sale for cash, on or after the date hereof, by Company or any of its Subsidiaries of additional capital stock or other equity interests.

"Equity Offering Adjustment" shall mean that amount to be added to the minimum Tangible Net Worth required to be maintained under Section 7.4 hereof consisting of an amount equal to seventy-five percent (75%) of each Equity Offering conducted by the Company or any of its Subsidiaries, net of costs of issuance, on and after July 1, 2003, on a cumulative basis; provided, however, that in the case of each Equity Offering by a Subsidiary, the amount of the Equity Offering Adjustment shall not exceed 75% of the amount, if any, by which such Equity Offering increases Tangible Net Worth.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor act or code, and the regulations in effect from time to time thereunder.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) which is under common control with the Company within the meaning of Section 4001 of ERISA or is part of a group which includes the Company and would be treated as a single employer under Section 414 of the Internal Revenue Code.

"Euro" or "Euro Unit" shall mean the currency unit of the Euro as defined in the EMU Legislation.

"Eurocurrency Rate" shall mean with respect to each Eurocurrency-based Advance carried in any Alternative Currency (and each Eurocurrency-Interest Period pertaining thereto) the per annum interest rate determined by the Agent (or, in case of Swing Line Advances, the Swing Line Bank) to be the offered rate for deposits in such currency with a term comparable to such Interest Period that appears on the applicable Telerate Page or the applicable British Bankers' Association rate as reported by any generally recognized financial information service, in each case as reported at approximately 11:00 a.m., London time, two Business Days (or, in the case of a Eurocurrency-based Advance in Euros, on such other date as is customary in the relevant offshore interbank market) prior to the beginning of such Interest Period; provided, however, that if at any time for any reason such offered rate for any such currency does not appear on a Telerate Page or is not reported by any generally recognized financial information service, "Eurocurrency Rate" shall mean, with respect to each such Advance denominated in such currency, the per annum interest rate at which deposits in the relevant currency are offered to Agent's Eurocurrency Lending Office (or, in the case of Swing Line Advances, the Swing Line Bank's Eurocurrency Lending Office) by other prime banks in the relevant offshore interbank market in an amount comparable to the relevant Eurocurrency-based Advance and for a period equal to the relevant Eurocurrency-Interest Period at approximately 11:00 a.m. Detroit time two (2) Business Days prior to the first day of such Eurocurrency-Interest Period.

"Eurocurrency-based Advance" shall mean any Advance (including a Swing Line Advance) which bears interest at the Eurocurrency-based Rate.

"Eurocurrency-based Rate" shall mean a per annum interest rate which is equal to the sum of the Applicable Margin (subject, if applicable, to adjustment under Section 4.1 hereof), plus the quotient of:

- (A) (a) in the case of Eurocurrency-based Advances carried in Dollars, the Eurodollar Rate, or
- (b) in the case of Eurocurrency-based Advances carried in an Alternative Currency, the Eurocurrency Rate,

divided by

- (B) a percentage equal to 100% minus the maximum rate on such date at which Agent is required to maintain reserves on 'Eurocurrency Liabilities' as defined in and pursuant to Regulation D of the Board of Governors of the Federal Reserve System or, if such regulation or definition is modified, and as long as Agent is required to maintain reserves against a category of liabilities which

includes eurocurrency deposits or includes a category of assets which includes eurocurrency loans, the rate at which such reserves are required to be maintained on such category,

all as conclusively determined by the Agent (absent manifest error), such sum to be rounded upward, if necessary, to the nearest whole multiple of 1/100th of 1%.

"Eurocurrency-Interest Period" shall mean, (a) for Swing Line Advances carried at the Eurocurrency-based Rate, an interest period of fourteen (14) days or one month (or any lesser number of days agreed to in advance by Company or a Permitted Borrower, Agent and the Swing Line Bank) and (b) for all other Eurocurrency-based Advances, an interest period of one, two, three or six months (or any lesser or greater number of days agreed to in advance by Company or a Permitted Borrower, Agent and the Lenders) as selected by Company or such Permitted Borrower, as applicable, for a Eurocurrency-based Advance pursuant to Section 2.3 or 2.5 hereof, as the case may be.

"Eurocurrency Lending Office" shall mean, (a) with respect to the Agent, Agent's office located at its Grand Caymans Branch or such other branch of Agent, domestic or foreign, as it may hereafter designate as its Eurocurrency Lending Office by written notice to Company, the Permitted Borrowers and the Lenders and (b) as to each of the Lenders, its office, branch or affiliate located at its address set forth on the signature pages hereof (or identified thereon as its Eurocurrency Lending Office), or at such other office, branch or affiliate of such Lender as it may hereafter designate as its Eurocurrency Lending Office by written notice to Company and Agent.

"Eurodollar Rate" shall mean with respect to each Eurocurrency-based Advance carried in Dollars (and each Eurocurrency-Interest Period pertaining thereto) the per annum interest rate at which deposits in dollars are offered to Agent's Eurocurrency Lending Office (or, in the case of Swing Line Advances, the Swing Line Bank's Eurocurrency Lending Office) by other prime banks in the eurocurrency market in an amount comparable to the relevant Eurocurrency-based Advance and for a period equal to the relevant Eurocurrency-Interest Period at approximately 11:00 a.m. Detroit time two (2) Business Days prior to the first day of such Eurocurrency-Interest Period.

"Event of Default" shall mean any of the events specified in Section 9.1 hereof.

"Existing Letter of Credit" shall mean each letter of credit issued under the Prior Credit Agreement, if any, which is outstanding on the Effective Date, as set forth on Schedule 1.4 hereto.

"Federal Funds Effective Rate" shall mean, for any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Agent from three Federal funds brokers of recognized standing selected by it.

"Fee Letter" shall mean the fee letter dated July 1, 2003 between the Company and the Agent hereunder, as amended from time to time.

"Fees" shall mean the Agent's Fees, the Revolving Credit Facility Fee, the Letter of Credit Fees, the Arrangers' Fee, and the other fees and charges payable hereunder.

"Fixed Charge Coverage Ratio" shall mean, with respect to the Company and its Consolidated Subsidiaries, as of any date of determination, a ratio, (i) the numerator of which shall be equal to Consolidated EBITDA for the preceding four fiscal quarters ending on the date of determination, minus Capital Expenditures during such period and (ii) the denominator of which shall be the Interest Expense of the Company and its Consolidated Subsidiaries for such period, in each case determined in accordance with GAAP.

"Foreign Guaranty" shall mean that certain Foreign Guaranty dated March 2, 1998 covering all Indebtedness of the Foreign Permitted Borrowers hereunder (but expressly excluding any Hedging Obligations) previously executed and delivered (or to be executed and delivered by joinder) by the Significant Foreign Subsidiaries as amended or otherwise modified from time to time.

"Foreign Permitted Borrower" shall mean any Permitted Borrower hereunder which is a Foreign Subsidiary.

"Foreign Subsidiary" shall mean any of the Company's Subsidiaries, other than a Domestic Subsidiary; and "Foreign Subsidiaries" shall mean any or all of them.

"FPB Advance Notice" shall mean notice from the Company or the applicable Foreign Permitted Borrower that such Foreign Permitted Borrower intends to submit a Request for Advance (or for the issuance of a Letter of Credit) under this Agreement.

"GAAP" shall mean generally accepted accounting principles in the United States of America, as in effect from time to time, consistently applied.

"Governmental Obligations" means noncallable direct general obligations of the United States of America or obligations the payment of principal of and interest on which is unconditionally guaranteed by the United States of America.

"Granting Lender" shall mean a Lender which elects to grant to an SPFV the option to fund all or any part of any Advance that such Lender would otherwise be obligated to fund pursuant to this Agreement, in each case in accordance with Section 13.8(c) hereof; provided, however, that notwithstanding the funding by an SPFV of an Advance (or a portion thereof) hereunder, the Granting Lender shall retain all of its rights and obligations under this Agreement with respect to such Advance or otherwise.

"Guarantee Obligation" shall mean as to any Person (the "guaranteeing person") any obligation of the guaranteeing person in respect of any obligation of another Person (including, without limitation, any bank under any letter of credit), the creation of which was induced by a reimbursement agreement, guaranty agreement, keepwell agreement, purchase agreement, counterindemnity or similar obligation issued by the guaranteeing person, in either case

guaranteeing or in effect guaranteeing any Debt, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Company or Subsidiary, as applicable, in good faith.

"Guaranties" shall mean the Domestic Guaranty and the Foreign Guaranty, and "Guaranty" shall mean any or all of them.

"Guarantor(s)" shall mean each Significant Subsidiary which is required by the Lenders to guarantee the obligations of the Company and/or the Permitted Borrowers hereunder and under the other Loan Documents.

"Hazardous Material" shall mean and include any hazardous, toxic or dangerous waste, substance or material defined as such in (or for purposes of) the Hazardous Material Laws.

"Hazardous Material Law(s)" shall mean all laws, codes, ordinances, rules, regulations, orders, decrees and directives issued by any federal, state, provincial, local, foreign or other governmental or quasi-governmental authority or body (or any agency, instrumentality or political subdivision thereof) pertaining to Hazardous Material on or about any facilities owned, leased or operated by Company or any of its Subsidiaries, or any portion thereof including, without limitation, those relating to soil, surface, subsurface ground water conditions and the condition of the ambient air; and any state and local laws and regulations pertaining to Hazardous Material and/or asbestos; any so-called "superfund" or "superlien" law; and any other federal, state, provincial, foreign or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic or dangerous waste, substance or material, as now or at any time hereafter in effect.

"Hedging Obligation(s)" shall mean Interest Rate Protection Agreements and any foreign currency exchange agreements (including without limitation foreign currency hedges and swaps)



or other foreign exchange transactions, or any combination of such transactions or agreements or any option with respect to any such transactions or agreements entered into between Company and/or any of its Subsidiaries and a Lender or an Affiliate of a Lender to manage existing or anticipated foreign exchange risk and not for speculative purposes.

"Hereof", "hereto", "hereunder" and similar terms shall refer to this Agreement in its entirety and not to any particular paragraph or provision of this Agreement.

"Indebtedness" shall mean all indebtedness and liabilities whether direct or indirect, absolute or contingent, owing by Company or any of the Permitted Borrowers to the Lenders (or any of them) or to the Agent, in any manner and at any time, under this Agreement or the Loan Documents, due or hereafter to become due, now owing or that may hereafter be incurred by the Company, any of the Permitted Borrowers or any of the Subsidiaries to, or acquired by, the Lenders (or any of them) or by Agent, and all net obligations with respect to Hedging Obligations entered into between Company and/or any of its Subsidiaries and a Lender or an Affiliate of a Lender, any Special Letters of Credit, and any judgments that may hereafter be rendered on such indebtedness or any part thereof, with interest according to the rates and terms specified, or as provided by law, and any and all consolidations, amendments, renewals, replacements or extensions of any of the foregoing. For the purposes of Section 9.2(b), "Indebtedness" shall exclude any Hedging Obligations.

"Intercompany Loan" shall mean any loan (or advance in the nature of a loan) by the Company or any Subsidiary to the Company or any Subsidiary, provided that each such loan or advance to the Company or to a Subsidiary that is an obligor on the Indebtedness shall be subordinated in right of payment and priority to the Indebtedness of the Company or such Subsidiary, as applicable, on terms and conditions satisfactory to Agent and the Required Lenders.

"Intercompany Loans, Advances or Investments" shall mean any Intercompany Loan, and any advance or investment by the Company or any Subsidiary (including without limitation any guaranty of obligations or indebtedness to third parties) to or in the Company or any Subsidiary.

"Intercompany Notes" shall mean the promissory notes issued or to be issued by any Subsidiary to Company or to any Significant Domestic Subsidiary to evidence an Intercompany Loan.

"Interest Expense" shall mean, for any Person and with respect to any period, the sum of the amount of interest paid or accrued in respect of such period, determined in accordance with GAAP.

"Interest Period" shall mean (a) with respect to a Eurocurrency-based Advance, a Eurocurrency-Interest Period commencing on the day a Eurocurrency-based Advance is made, or on the effective date of an election of the Eurocurrency-based Rate made under Section 2.3 hereof, as the case may be, and (b) with respect to a Swing Line Advance carried at the Quoted Rate, an interest period of one month (or any lesser number of days agreed to in advance by Company or a Permitted Borrower, Agent and the Swing Line Bank); provided, however that (i)

any Interest Period which would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day, except that as to a Eurocurrency-Interest Period, if the next succeeding Business Day falls in another calendar month, such Eurocurrency-Interest Period shall end on the next preceding Business Day, and (ii) when a Eurocurrency-Interest Period begins on a day which has no numerically corresponding day in the calendar month during which such Eurocurrency-Interest Period is to end, it shall end on the last Business Day of such calendar month, and (iii) no Interest Period shall extend beyond the Revolving Credit Maturity Date.

"Interest Rate Protection Agreement(s)" shall mean any interest rate, swap, cap, floor, collar, forward rate agreement or other rate protection transaction, or any combination of such transactions or agreements or any option with respect to any such transactions or agreements now existing or hereafter entered into by Company or any of its Subsidiaries to manage existing or anticipated interest rate risk and not for speculative purposes.

"Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

"Investment" shall mean any loan or advance by Company or any of its Subsidiaries to, or any other loan, advance or investment by Company or any of its Subsidiaries in, any Person (including without limitation, the Company or any Subsidiary), without offset, reduction or other adjustment, whether such loan, advance or investment shall be in the nature of an investment in shares of stock or other capital or securities, general or limited partnership, limited liability company or joint venture interests, evidences of indebtedness or otherwise.

"Issuing Office" shall mean Agent's office located at One Detroit Center, 500 Woodward Avenue, Detroit, Michigan 48275 or such other office as Agent shall designate in writing as its Issuing Office.

"Joinder Agreement" shall mean a joinder agreement in the form attached as Exhibit A to the form of the Domestic Guaranty or to the form of the Foreign Guaranty, to be executed and delivered by any Person required to be a Guarantor pursuant to Section 7.16 of this Agreement.

"Joint Venture" shall mean any corporation, partnership, association, joint stock company, limited liability company, partnership, business trust or other combined enterprise, other than a Subsidiary, in which (or to which) the Company or any of its Subsidiaries has made a loan, investment or advance or has an ownership stake or interest, whether in the nature of Share Capital or otherwise (but expressly excluding Permitted Investments) to fund a business enterprise.

"Lender(s)" shall mean each of the Lenders signatory to this Agreement and any assignee which becomes a Lender pursuant to Section 13.8(c) hereof, and shall include, as applicable, the Swing Line Bank.

"Letter(s) of Credit" shall mean any standby letters of credit issued by Agent at the request of or for the account of an Account Party or Account Parties pursuant to Article 3 hereof, including without limitation any Existing Letters of Credit.

"Letter of Credit Agreement" shall mean, in respect of each Letter of Credit, the application and related documentation satisfactory to the Agent of an Account Party or Account Parties requesting Agent to issue such Letter of Credit, as amended from time to time.

"Letter of Credit Fees" shall mean the fees payable to Agent for the accounts of the Lenders in connection with Letters of Credit pursuant to Section 3.4 hereof.

"Letter of Credit Maximum Amount" shall mean, as of any date of determination, the lesser of: (a) One Hundred Million Dollars (\$100,000,000) and (b) the Revolving Credit Aggregate Commitment as of such date, minus the aggregate principal amount of Advances outstanding as of such date under the Revolving Credit and under the Swing Line, minus, in each case the Letter of Credit Reserve in effect on such date.

"Letter of Credit Obligation(s)" shall mean the obligation of an Account Party or Account Parties under this Agreement and each Letter of Credit Agreement to reimburse the Agent for each payment made by the Agent under the Letter of Credit issued pursuant to such Letter of Credit Agreement, together with all other sums, fees, charges and amounts which may be owing to the Agent under such Letter of Credit Agreement.

"Letter of Credit Payment" shall mean any amount paid or required to be paid by the Agent in its capacity hereunder as issuer of a Letter of Credit as a result of a draft or other demand for payment under any Letter of Credit.

"Letter of Credit Reserve" shall mean Five Million Dollars (\$5,000,000), as decreased by the Company with the Agent's approval.

"Leverage Ratio" shall mean, as of any date of determination, with respect to the Company and its Consolidated Subsidiaries, the ratio of (a) Total Debt as of such date to (b) Consolidated EBITDA for the four consecutive fiscal quarters then ending.

"Lien" shall mean any pledge, assignment, hypothecation, mortgage, security interest, deposit arrangement, option, trust receipt, conditional sale or title retaining contract, sale and leaseback transaction, or any other type of lien, charge or encumbrance, whether based on common law, statute or contract.

"Loan Documents" shall mean collectively, this Agreement, the Letter of Credit Agreements, the Guaranties, the Collateral Documents, Hedging Obligations entered into between Company and/or any of its Subsidiaries and a Lender or an Affiliate of a Lender, and any other documents, instruments or agreements executed pursuant to or in connection with any such document, the Indebtedness or this Agreement as such documents may be amended or otherwise modified from time to time. For the purposes of Section 13.11, "Loan Documents" shall exclude any Hedging Obligations.

"LYONs" shall mean the Liquid Yield Option Notes (LYONs)<sup>TM</sup> issued under and pursuant to that certain Indenture dated as of June 4, 2001 between The Bank of New York, as trustee, and the Company, as issuer.

"LYONs Reserve" shall mean zero, until the Additional Debt Issuance Date, whereupon the LYONs Reserve shall mean One Hundred Sixty Million Dollars (\$160,000,000), such reserve being reduced from time to time (but not below zero) by twice the accreted amount of the LYONs that the Company prepays, purchases, redeems or defeases from and after the Agent's consent to the issuance of the New Convertible Subordinated Debt dated July 29, 2003 issued under the Prior Credit Agreement, or that is converted into shares of the Company's common stock, any such reductions of the LYONs Reserve becoming effective on the date the Agent receives written evidence, satisfactory in form and substance to the Agent, of such prepayment, purchase, redemption, defeasance or conversion of the LYONs.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns, and, if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agent.

"Multiemployer Plan" shall mean any multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.

"National Currency Unit" shall mean a fraction or multiple of one Euro Unit expressed in units of the former national currency of a Participating Member State.

"Net Income" shall mean the net income (or loss) of a Person for any period determined in accordance with GAAP.

"Net Income Adjustment" shall mean that amount to be added to the minimum Tangible Net Worth required to be maintained under Section 7.4 hereof consisting of fifty percent (50%) of Company's Consolidated Net Income for each of the Company's fiscal quarters ending on or after September 30, 2003 (in each case, only if a positive number), on a cumulative basis.

"New Convertible Subordinated Debt" means that certain new convertible subordinated Debt of the Company in the amount of up to \$500,000,000 to be issued by the Company under an Indenture to be dated as of August 6, 2003 between the Company and Wachovia Bank, National Association, as Trustee on substantially the terms and conditions contained in the Company's Offering Memorandum relating to such debt dated July 31, 2003 (as determined in the reasonable discretion of the Agent and confirmed by the Agent to the Company).

"Notes" shall mean the Revolving Credit Notes or the Swing Line Notes, or any or all of the Revolving Credit Notes and the Swing Line Notes as the context indicates, and in the absence of such indication, all such notes.

"Participating Member State" shall mean such country so described in any EMU Legislation.

"PBGC" shall mean the Pension Benefit Guaranty Corporation under ERISA, or any successor corporation.

"PDD Restructuring" shall mean that certain reorganization and restructuring of the Company's power diodes division, to the extent consummated on substantially the terms described in documentation delivered by the Company to the Agent on July 30, 2003.

"Pension Plan" shall mean each employee pension benefit plan, as defined in Section 3(2) of ERISA, of the Company or an ERISA Affiliate but only to the extent such Pension Plan is subject to ERISA, as provided in Section 4 of ERISA, and is subject to Section 412 of the Internal Revenue Code and Section 302 of ERISA other than a Multiemployer Plan.

"Percentage" shall mean, with respect to any Lender, its percentage share, as set forth on Schedule 1.1 hereto, of the Letters of Credit or the Revolving Credit, as the context indicates, as such Schedule may be revised from time to time by Agent in accordance with Section 13.8(d) hereof.

"Permitted Acquisition" shall mean any acquisition by the Company or any of its Subsidiaries of assets, businesses or business interests or shares of stock or other ownership interests of or in any Person, conducted while no Default or Event of Default has occurred and is continuing hereunder (both before and after giving effect thereto) in accordance with the following requirements:

- (a) Such acquisition is of a business or Person primarily engaged in a line of business in which the Company or any Subsidiary is permitted to engage under Section 8.1(b) hereof;
- (b) The board of directors (or other Person(s) exercising similar functions) of the seller of the assets or issuer of the shares of stock or other ownership interests being acquired shall have approved such transaction or recommended that such transaction be approved;
- (c) in the event that the value of such proposed new acquisition, computed on the basis of total acquisition consideration paid or incurred, or to be paid or incurred, by the Company or its Subsidiaries with respect thereto, including all indebtedness which is assumed or to which such assets, businesses or business or ownership interests or shares, or any Person so acquired, is subject, but excluding the value of any common shares transferred as a part of such acquisition, shall be
  - (i) greater than or equal to Fifty Million Dollars (\$50,000,000), determined as of the date of such acquisition, then not less than fifteen (15) nor more than ninety (90) days prior to the date each such proposed acquisition is scheduled to be consummated, the Company provides written notice thereof to Agent, accompanied by (A) the term sheet, purchase agreement and, when available, drafts of all material documents pertaining to such proposed acquisition, (B) historical financial information (including, but not limited to, income statements, balance sheets and cash flows) covering either the three most recent complete fiscal years of the acquisition target prior to the effective date of the acquisition or the entire credit history of the acquisition target, whichever period is shorter, and the quarterly

financial statements of the acquisition target for the most recent eight consecutive fiscal quarters (provided however that, if the financial information referred to in this subparagraph (B) is not available, Company shall furnish Agent with financial information otherwise reasonably satisfactory to the Required Lenders) and (C) Pro Forma Projected Financial Information, or

- (ii) less than Fifty Million Dollars (\$50,000,000) but greater than or equal to Ten Million Dollars (\$10,000,000), then not less than ten (10) Business Days after date each such proposed acquisition has been consummated, the Company provides written notice thereof to Agent (with certified copies of all material documents pertaining to such acquisition);

whereupon Agent shall promptly upon its receipt thereof distribute copies of all notices and other materials received from Company under this clause (c) to each Lender; and

- (d) within thirty (30) days after any such acquisition has been completed, the Company, its Subsidiaries and any of the other business entities involved in such acquisition shall execute or cause to be executed, and provide or cause to be provided to Agent, any Loan Documents required under Section 7.16 hereof.

"Permitted Borrower Addendum" shall mean an addendum substantially in the form attached hereto as Exhibit H, to be executed and delivered by each Permitted Borrower which becomes a party to this Agreement after the date hereof, as such Exhibit may be amended from time to time.

"Permitted Borrower Sublimit" shall mean the maximum aggregate amount of Advances and Letters of Credit (including Letter of Credit Obligations) available at any time to each of the Permitted Borrowers hereunder, as set forth on Schedule 1.6 hereof.

"Permitted Borrower(s)" shall mean Vishay Europe and Vishay Electronic, together with each of Vishay Asia and Siliconix (but solely upon each of Vishay Asia's and Siliconix's compliance with the requirements set forth in Section 2.1 hereof), and any 100% Subsidiary which, after the Effective Date and with the prior written approval of the Lenders, becomes a party hereto pursuant to the requirements of Section 2.1 hereof.

"Permitted Company Encumbrances" shall mean, in addition to Permitted Encumbrances, those liens and encumbrances of the Company identified in Schedule 8.5, hereto.

"Permitted Currencies" shall mean Dollars or any Alternative Currency.

"Permitted Encumbrances" shall mean, with respect to any Person:

- (e) liens for taxes not yet due and payable or which are being contested in good faith by appropriate proceedings diligently pursued, provided that such provision for the payment of all such taxes known to such Person has been made on the books of such Person as may be required by GAAP;

- (b) mechanics', materialmen's, bankers', carriers', warehousemen's and similar liens and encumbrances arising in the ordinary course of business and securing obligations of such Person that are not overdue for a period of more than 60 days or are being contested in good faith by appropriate proceedings diligently pursued, provided that in the case of any such contest (i) any proceedings commenced for the enforcement of such liens and encumbrances shall have been duly suspended; and (ii) such provision for the payment of such liens and encumbrances has been made on the books of such Person as may be required by GAAP;
- (c) liens arising in connection with worker's compensation, unemployment insurance, old age pensions (subject to the applicable provisions of this Agreement) and social security benefits which are not overdue or are being contested in good faith by appropriate proceedings diligently pursued, provided that in the case of any such contest (i) any proceedings commenced for the enforcement of such liens shall have been duly suspended; and (ii) such provision for the payment of such liens has been made on the books of such Person as may be required by GAAP;
- (d) (i) liens incurred in the ordinary course of business to secure the performance of statutory obligations arising in connection with progress payments or advance payments due under contracts with the United States or any foreign government or any agency thereof entered into in the ordinary course of business and (ii) liens incurred or deposits made in the ordinary course of business to secure the performance of statutory obligations, bids, leases, fee and expense arrangements with trustees and fiscal agents and other similar obligations (exclusive of obligations incurred in connection with the borrowing of money, any lease-purchase arrangements or the payment of the deferred purchase price of property), provided that full provision for the payment of all such obligations set forth in clauses (i) and (ii) has been made on the books of such Person as may be required by GAAP; and
- (e) any minor imperfections of title, including but not limited to easements, covenants, rights-of-way or other similar restrictions, which, either individually or in the aggregate do not materially adversely affect the present or future use of the property to which they relate, which would have a material adverse effect on the sale or lease of such property, or which would render title thereto unmarketable.

"Permitted Encumbrances of the Subsidiaries" shall mean, in addition to Permitted Encumbrances, those liens and encumbrances of the Subsidiaries identified in Schedule 8.5, hereto.

"Permitted Investments" shall mean:

- (a) Governmental Obligations;
- (b) Obligations of a state of the United States, the District of Columbia or any possession of the United States, or any political subdivision thereof, which are

described in Section 103(a) of the Internal Revenue Code and are rated in any of the highest 3 major rating categories as determined by at least one nationally recognized Rating Agency; or secured, as to payments of principal and interest, by a letter of credit provided by a financial institution or insurance provided by a bond insurance company which itself or its debt is rated in the highest 3 major rating categories as determined by at least one Rating Agency;

- (c) Banker's acceptances, commercial accounts, certificates of deposit, or depository receipts issued by a bank, trust company, savings and loan association, savings bank or other financial institution whose deposits are insured by the Federal Deposit Insurance Corporation and whose reported capital and surplus equal at least \$500,000,000;
- (d) commercial paper with a minimum rating of "A-1" (or better) by S&P or "P-1" (or better) by Moody's, full faith and credit direct obligations of the United States of America or, with respect to the Foreign Subsidiaries, of the central government of the applicable jurisdiction, or any agency thereof, certificates of deposit, and other short term investments (each of a duration of one year or less), maintained by the Company or any of its Subsidiaries consistent with the present investment practices of such parties (as classified in the current financial statements of such parties);
- (e) Secured repurchase agreements against obligations itemized in paragraph (a) above, and executed by a bank or trust company or by members of the association of primary dealers or other recognized dealers in United States government securities, the market value of which must be maintained at levels at least equal to the amounts advanced and repurchase agreements entered into with counterparties having ratings in either of the highest two rating categories by Moody's or S&P, or the highest rating category by Fitch Investor Services, Duff & Phelps or Thompson Bank Watch and providing for underlying securities to be held by a third party;
- (f) Any fund or other pooling arrangement which exclusively purchases and holds the investments itemized in (a) through (e) above; and
- (g) other short term investments (excluding investments in Subsidiaries, Affiliates or Joint Ventures) made or maintained by any Foreign Subsidiary outside of the United States of America in the ordinary course of its business, consistent with the present investment practices of the Company and its Subsidiaries as of the date hereof (generally, and as to the individual and aggregate amounts and other terms thereof).

"Permitted Securitization" shall mean the transfer or encumbrance of certain foreign accounts receivable by any of the Foreign Subsidiaries to a Special Purpose Subsidiary conducted in accordance with the following requirements:



- (a) The disposition of foreign accounts receivable will not result in the aggregate principal amount of Debt at any time issued and outstanding in respect of Permitted Securitizations being in excess of Two Hundred Million Dollars (\$200,000,000) in aggregate while the Indebtedness remains outstanding;
- (b) The Foreign Subsidiary disposing of foreign accounts receivable to a Special Purpose Subsidiary pursuant to such Permitted Securitization shall itself actually receive (substantially contemporaneously with such disposition) cash in connection with any such Securitization Transaction in an amount based on normal and customary advance rates (and taking into account typical deductions for market-based, arms-length Securitization Transactions);
- (c) Each such disposition shall be without recourse to the Company or its Domestic Subsidiaries and otherwise on normal and customary terms and conditions for comparable asset-based Securitization Transactions;
- (d) Each such Securitization Transaction shall be structured on the basis of the issuance of non-recourse (to the Company or its Domestic Subsidiaries) Debt or other similar securities by a Special Purpose Subsidiary;
- (e) Both immediately before and immediately after each such disposition, no Default or Event of Default (whether or not related to such disposition) shall have occurred and be continuing; and
- (f) Immediately prior to and immediately after conducting each such Securitization Transaction, Company must have on its rated Senior Debt a BB+ or better rating from S&P and a Ba1 rating or better from Moody's.

"Permitted Transfer" shall mean (i) any disposition of inventory or worn out or obsolete machinery, equipment or other such personal property in the ordinary course of business, (ii) the transfer by Company or its Subsidiaries to Vishay Israel or its wholly-owned direct subsidiaries existing under the laws of Israel of machinery and equipment in an aggregate amount (valued on the basis of the book value of such property on the date of transfer thereof) of up to Fifty Million Dollars (\$50,000,000) from and after the Effective Date (provided that no Default or Event of Default has occurred and is continuing at the time of any such transfer), and (iii) any transfers of intangible assets and share capital pursuant to the PDD Restructuring (substantially as described in the materials previously delivered to the Agent), provided that the Company comply with the delivery of any required Collateral Documents under Section 7.16 hereof, following such transfers.

"Permitted Transferee" shall mean a "Permitted Transferee" as defined in the Company's current Certificate of Incorporation, and any subsequent amendment of the definition of such term approved by the Required Lenders.

"Person" shall mean an individual, corporation, partnership, limited liability company, trust, incorporated or unincorporated organization, joint venture, joint stock company, or a government or any agency or political subdivision thereof or other entity of any kind.

"Pledge Agreement(s)" shall mean the various stock pledge agreements, including any nantissements, notarial deeds, pledges of financial instrument accounts, or other local law pledges (and any of them) previously executed and delivered, executed and delivered as of the Effective Date or to be executed or delivered pursuant to Sections 7.16 and/or 7.18 hereof all, in favor of the Agent, for and on behalf of the Lenders under this Agreement and, except with respect to those Pledge Agreements executed by or covering the share capital of a Significant Foreign Subsidiary, on behalf of any Lenders or their Affiliates (or any of them) under any Hedging Obligations, in each case as amended or otherwise modified from time to time.

"Prime Rate" shall mean the per annum interest rate established by Agent, or in the case of Swing Line Advances carried at the Prime-based Rate, by the Swing Line Bank, as its prime rate for its borrowers, as such rate may vary from time to time, which rate is not necessarily the lowest rate on loans made by Agent or the Swing Line Bank at any such time.

"Prime-based Advance" shall mean an Advance (including a Swing Line Advance) which bears interest at the Prime-based Rate.

"Prime-based Rate" shall mean that rate of interest which is the greater of (i) the Prime Rate or (ii) the Alternate Base Rate.

"Prior Credit Agreement" is defined in the Preamble.

"Pro Forma Projected Financial Information" shall mean, as to any proposed acquisition, a statement executed by an Authorized Officer of the Company (supported by reasonable detail) setting forth the total consideration to be paid or incurred in connection with the proposed acquisition and, pro forma combined projected financial information for the Company and its Consolidated Subsidiaries and the acquisition target (if applicable), consisting of projected opening balance sheets and covenant calculations as of the proposed effective date of the acquisition or the closing date and as of the end of at least the next succeeding three (3) fiscal years of Company following the acquisition and projected statements of income, balance sheets and cash flow statements for each of those years based on historical financial information prepared in accordance with GAAP, including sufficient detail to permit calculation of the amounts and the financial covenants described in Sections 7.4 through 7.6 hereof and evidencing projected compliance therewith, as projected as of the effective date of the acquisition and for those fiscal years and accompanied by (i) a statement setting forth a calculation of the ratios and amounts so described and (ii) a statement in reasonable detail specifying all material assumptions underlying the projections.

"Prohibited Transaction" shall mean any transaction involving a Pension Plan which constitutes a "prohibited transaction" under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

"Quoted Rate" shall mean the rate of interest per annum offered by the Swing Line Bank in its sole discretion with respect to a Swing Line Advance.

"Quoted Rate Advance" means any Swing Line Advance which bears interest at the Quoted Rate.

"Rating Agency" shall mean Fitch Investor Services, Inc., S&P, or Moody's, or any of their respective successors, or any other nationally recognized rating agency, and "Rating Agencies" shall be the collective reference to any or all of the foregoing.

"Reaffirmation(s) of Certain Loan Documents" shall mean the Reaffirmation(s) of Certain Loan Documents, executed and delivered pursuant to Section 5.3 by the Company, the Permitted Borrowers and certain Significant Subsidiaries, substantially in the form of Exhibit J attached hereto.

"Refunded Swing Line Advance" is defined in Section 2.5(e) hereof.

"Register" is defined in Section 13.8(f) hereof.

"Remaining Siliconix Acquisition" shall mean the purchase or other acquisition by Company or any of its Domestic Subsidiaries of all or any portion of the shares of stock of Siliconix.

"Reportable Event" shall mean a "reportable event" within the meaning of Section 4043 of ERISA and the regulations promulgated thereunder, which is material to the Company and its Subsidiaries, taken as a whole.

"Request for Advance" shall mean a Request for Revolving Credit Advance or a Request for Swing Line Advance, or either of them, as the context may indicate or otherwise require.

"Request for Revolving Credit Advance" shall mean a request for Revolving Credit Advance issued by the Company or by a Permitted Borrower and countersigned by the Company under Section 2.3(c) hereof, as the case may be, in the form attached annexed hereto as Exhibit A-1, as such form may be amended or otherwise modified from time to time.

"Request for Swing Line Advance" shall mean a request for Swing Line Advance issued by the Company or by a Permitted Borrower and countersigned by the Company under Section 2.5(c) hereof, in the form attached annexed hereto as Exhibit A-2, as such form may be amended or otherwise modified from time to time.

"Required Lenders" shall mean at any time Lenders holding 51% of the aggregate principal amount of the Indebtedness then outstanding hereunder (provided that, for purposes of determining Required Lenders hereunder, Indebtedness outstanding under the Swing Line shall be allocated among the Lenders based on their respective Percentages of the Revolving Credit) or, if no Indebtedness is then outstanding, Lenders holding 51% of the Percentages.

"Revolving Credit" shall mean the revolving credit loans to be advanced to the Company or a Permitted Borrower by the Lenders pursuant to Section 2 hereof, in an aggregate amount (subject to the terms hereof), not to exceed, at any one time outstanding, the Revolving Credit Aggregate Commitment.

"Revolving Credit Aggregate Commitment" shall mean Four Hundred Million Dollars (\$400,000,000) less the LYONS Reserve, and subject to any reduction or termination of the Revolving Credit Aggregate Commitment under Section 2.15 or 9.2 hereof.

"Revolving Credit Facility Fee" shall mean the facility fee payable to Agent for distribution to the Lenders pursuant to Section 2.13, hereof.

"Revolving Credit Maturity Date" shall mean the earlier to occur of (i) May 1, 2007, as such date may be extended from time to time pursuant to Section 2.16 hereof, and (ii) the date on which the Revolving Credit Aggregate Commitment shall be terminated pursuant to Section 2.15 or 9.2 hereof.

"Revolving Credit Notes" shall mean the revolving credit notes which may be issued by Company or a Permitted Borrower at the request of a Lender pursuant to Section 2.2(e) hereof in the form annexed to this Agreement as Exhibit B-1 or Exhibit B-2, as the case may be, as such Notes may be amended, renewed, replaced or extended from time to time.

"Securitization Transaction(s)" shall mean a transfer of, or grant of a Lien on, foreign accounts receivable by any Foreign Subsidiary to a Special Purpose Subsidiary or other special purpose or limited purpose entity and the issuance (whether by such Special Purpose Subsidiary or other special purpose or limited purpose entity or any other Person) of Debt or of any securities secured directly or indirectly by interests in, or of trust or a comparable certificates or other securities directly or indirectly evidencing interests in, such foreign accounts receivable.

"Security Agreement(s)" shall mean the security agreements executed and delivered by the Company and each Significant Domestic Subsidiary and any security agreements executed by certain Significant Foreign Subsidiaries incorporated under the laws of the United States of America, or a state, territory, possession or other political subdivision thereof after Agent's receipt of a FPB Advance Notice pursuant to the requirements of Section 7.16 hereof (whether by execution thereof or by execution of a joinder agreement attached to the form of such security agreement) in favor of the Agent substantially in the form of the security agreements previously delivered under this Agreement, as amended or otherwise modified from time to time.

"Senior Debt" shall mean, with respect to the Company and its Consolidated Subsidiaries, Total Debt, excluding Subordinated Debt.

"Shares", "share capital", "capital stock", "stock" and words of similar import shall mean and refer to the equity capital interest under applicable law of any Person in a corporation or other business entity, howsoever such interest is created or arises, whether such capital consists of common stock, preferred stock or preference shares, or other stock, and whether such capital is evidenced by a certificate, share register entry or otherwise.

"Significant Domestic Subsidiary(ies)" shall mean, on the Effective Date, the domestic Permitted Borrowers, those Domestic Subsidiaries identified as Significant Domestic Subsidiaries on Schedule 6.6A hereto and thereafter shall mean the Significant Domestic Subsidiaries as of the Effective Date and all other Domestic Subsidiaries, whether existing as of the Effective Date or created or acquired by the Company thereafter, except any Subsidiary:

- (a) the total assets of which, on an individual basis, on any date of determination, are less than \$5,000,000; and

- (b) which has, as of the most recent fiscal quarter then ending, for the four preceding fiscal quarters, an EBITDA of less than \$1,000,000;

provided however that, notwithstanding the foregoing, neither Siliconix nor any of its Subsidiaries shall be considered a Significant Domestic Subsidiary hereunder unless and until Siliconix becomes a 100% Subsidiary or until Siliconix complies with Section 2.1 and/or Section 7.16 hereof.

"Significant Foreign Subsidiary(ies)" shall mean, on the Effective Date, the foreign Permitted Borrowers, those Foreign Subsidiaries which have executed and delivered a Foreign Guaranty on or prior to the Effective Date, as identified on Schedule 6.6A hereto, and thereafter shall mean the Significant Foreign Subsidiaries as of the Effective Date and all other Foreign Subsidiaries, whether existing as of the Effective Date or created or acquired by the Company thereafter, except any Subsidiary:

- (a) the total assets of which, on an individual basis, on any date of determination, are, excluding goodwill, less than \$30,000,000; and
- (b) which has, as of the most recent fiscal quarter then ending, for the four preceding fiscal quarters, an EBITDA of less than \$2,500,000;

provided however that, notwithstanding the foregoing, neither Vishay Israel nor any of its Subsidiaries organized under the laws of Israel shall be considered a Significant Foreign Subsidiary hereunder and no Subsidiary of Siliconix shall be a Significant Foreign Subsidiary unless and until Siliconix becomes a Significant Domestic Subsidiary.

"Significant Subsidiary(ies)" shall mean the Significant Domestic Subsidiaries and the Significant Foreign Subsidiaries.

"Siliconix" shall mean Siliconix Incorporated, a Delaware corporation.

"SPFV" shall mean a special purpose funding vehicle utilized by a Granting Lender pursuant to Section 13.8 hereof to fund all or any part of any Advance that such Lender would otherwise be obligated to fund under this Agreement.

"Special Letters of Credit" shall mean letters of credit issued by Agent (or, with respect to the letter of credit issued by Syndication Agent, or its affiliates, described on Schedule 1.7 hereto, and any extensions or renewals thereof) as an administrative convenience for the account of the Company or its Subsidiaries on its own behalf and not on behalf (by risk participation or otherwise) of the other Lenders, in an aggregate amount at any time outstanding not to exceed the Letter of Credit Reserve in effect at such time, each such letter of credit being in an undrawn amount of less than \$750,000.

"Special Purpose Subsidiary" shall mean any wholly-owned direct or indirect Subsidiary of the Company established for the sole purpose of conducting a Permitted Securitization and otherwise established and operated in accordance with customary industry practices.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., its successors and assigns, and, if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agent.

"Stockholder's Equity" shall mean (i) legal capital consisting of common or preferred stock, (ii) paid-in capital to the extent of the excess over par or stated value paid for capital stock and that created by a corporate readjustment and (iii) retained earnings consisting of cumulative Net Income reduced by dividends declared or paid.

"Subordinated Debt" shall mean all Debt of the Company and its Subsidiaries which has been subordinated in right of payment and priority to the Indebtedness, in each case on terms and conditions reasonably satisfactory to the Agent and the Required Lenders, including, without limitation, the Subordinated Debt existing on the Effective Date and identified (as such) on Schedule 8.13 hereto.

"Subsidiary(ies)" shall mean any corporation, association, joint stock company, limited liability company, partnership or business trust of which more than fifty percent (50%) of the outstanding voting stock or other ownership interests is owned either directly or indirectly by Company or one or more of its Subsidiaries or by Company and one or more of its Subsidiaries, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by Company and/or its Subsidiaries. "100% Subsidiary(ies)" shall mean any of the Company's Subsidiaries whose stock (other than directors' or qualifying shares to the extent required under applicable law) or other ownership interests is owned 100% by any other 100% Subsidiary and/or the Company, and shall also include Vishay Israel.

"Swing Line" shall mean the revolving credit loan to be advanced to the Company or a Permitted Borrower by the Swing Line Bank pursuant to Section 2.5 hereof, in an aggregate amount (subject to the terms hereof) not to exceed, at any one time outstanding, the Swing Line Maximum Amount.

"Swing Line Advance" shall mean an Advance made by Swing Line Bank to Company or a Permitted Borrower pursuant to Section 2.5 hereof.

"Swing Line Bank" shall mean Comerica Bank, and its successors and assigns.

"Swing Line Maximum Amount" shall mean Forty Million Dollars (\$40,000,000).

"Swing Line Notes" shall mean the swing line notes which may be issued by Company or a Permitted Borrower at the request of Swing Line Bank pursuant to Section 2.5(a) hereof in the form annexed hereto as Exhibit C-1 or C?2, as the case may be, as such Notes may be amended or supplemented from time to time, and any notes issued in substitution, replacement or renewal thereof from time to time.

"Syndication Agent" shall mean Fleet Securities, Inc., or its permitted successors and/or assigns.

"Tangible Net Worth" shall mean, as of any date of determination, the total common shareholders' equity of the Company and its Subsidiaries on a Consolidated basis, together with the amount, if any, of preferred stock which is classified as part of shareholders' equity, as reflected on the most recent regularly prepared quarterly balance sheet of the Company and such Subsidiaries, which balance sheet shall be prepared in accordance with GAAP, minus the book amount of intangible assets including, without limitation, such items as goodwill, trademarks, trade names, copyrights, patents, licenses and rights in any intangible assets, and unamortized debt discount and expense, as of such date determined in accordance with GAAP, but excluding the effects of the currency translation adjustment and of the pension adjustment under the additional minimum liability section of FASB 87.

"Total Debt" shall mean, with respect to the Company and its Consolidated Subsidiaries, as of any date of determination, the sum, without duplication, of (a) the aggregate outstanding principal amounts of (i) Advances of the Revolving Credit and Swing Line outstanding as of such date and any Letter of Credit Obligations outstanding as of such date, (ii) all other Debt of the Company and its Subsidiaries as of such date for borrowed money or which is evidenced by debentures, notes or other similar instruments, (iii) all other obligations of the Company and its Subsidiaries as of such date to reimburse the issuers of letters of credit issued for their account for each payment made by such issuers under such letters of credit (iv) all capitalized lease obligations of the Company and its Subsidiaries as of such date (v) all obligations of Company and its Subsidiaries under conditional sale or other title retention agreements relating to property or assets purchased and (vi) any Debt or off balance sheet obligations issued pursuant to a Securitization Transaction (whether by a Special Purpose Subsidiary or otherwise), all determined on a Consolidated basis.

"Trans-European Business Day" shall mean a day when the Trans-European Settlement System is open for business.

"Trans-European Settlement System" shall mean the Trans-European Automated Real-time Gross Settlement Express Transfer System or any successor.

"Treaty on European Union" shall mean the Treaty of Maastricht (which was signed at Maastricht on February 7, 1992 and came into force on November 1, 1993), as amended by the Treaty of Amsterdam (which was signed on October 2, 1997 and came into force on May 1, 1999) and the Treaty of Nice (which was signed on February 26, 2001 and came into force on February 1, 2003).

"Vishay Asia" shall mean Vishay Intertechnology Asia Limited Pte., a company organized under the laws of Singapore.

"Vishay Europe" shall mean Vishay Europe GmbH, a company organized under the laws of the Federal Republic of Germany, formerly known as Vishay Beteiligungs GmbH.

"Vishay Electronic" shall mean Vishay Electronic GmbH, a company organized under the laws of the Federal Republic of Germany.

"Vishay Israel" shall mean Vishay Israel Limited, a corporation organized under the laws of Israel and a Subsidiary of the Company.

1.2 Euro.

- (a) Redenomination of Eurocurrency-based Advances and other Advances into Euro Units.
- (i) Each obligation under this Agreement of a party hereto which (A) was originally denominated in the former national currency of a Participating Member State, or (B) would otherwise have been denominated in such former national currency prior to such date shall be denominated in, or redenominated into, as applicable, the Euro Unit in accordance with EMU Legislation and applicable state law, provided that, if and to the extent that any EMU Legislation provides that amounts denominated in the euro unit or the National Currency Unit of a Participating Member State, that are payable by crediting an account of the creditor within that country, may be made in either Euro or National Currency Units, each party to this Agreement shall be entitled to pay or repay any such amounts in either the Euro Unit or such National Currency Unit.
- (ii) Subject to any EMU Legislation, references in this Agreement to a minimum amount (or an integral multiple thereof) in a National Currency Unit to be paid to or by a party hereto shall be deemed to be a reference to such reasonably comparable and convenient amount (or an integral multiple thereof) in the Euro Unit as the Agent may from time to time specify.
- (b) Payments.
- (i) All payments by any Borrower or any Lender of amounts denominated in the Euro or a National Currency Unit of a Participating Member State, shall be made in immediately available, freely transferable, cleared funds to the account of the Agent in the principal financial center in such Participating Member State, as from time to time designated by the Agent for such purpose.
- (ii) All amounts payable by the Agent to any party under this Agreement in the National Currency Unit of a Participating Member State shall instead be paid in the Euro Unit.
- (iii) Subject in the case of any Lender to Section 12.3 hereof, the Agent shall not be liable to any party to this Agreement in any way whatsoever for any delay, or the consequences of any delay, in the crediting to any account of any amount denominated in the Euro or a National Currency Unit of a Participating Member State.
- (iv) All references herein to the London interbank or other national market with respect to any National Currency Unit of a Participating Member State shall be deemed a reference to the applicable markets and locations referred to in the definition of "Business Day" in Section 1.1.



- (c) Increased Costs. The Borrowers shall, from time to time upon demand of any Lender (with a copy to the Agent), pay to such Lender the amount of any cost or increased cost incurred by, or of any reduction in any amount payable to or in the effective return on its capital to, or of interest or other return foregone by, such Lender or any holding company of such Lender as a result of the introduction of, changeover to or operation of the Euro in a Participating Member State, other than any such cost or reduction or amount foregone reflected in any interest rate hereunder.
- (d) Inconsistent Practice. If the basis of accrual of interest or fees expressed in this Agreement with respect to the currency of any state that becomes a Euro Member shall be inconsistent with any convention or practice in the London interbank market for the basis of accrual of interest or fees in respect of Euros, such convention or practice shall replace such expressed basis effective as of and from the date on which such state becomes a Euro Member; provided, that if any Advance in the currency of such state is outstanding immediately prior to such date, such replacement shall take effect, with respect to such Advance, at the end of the then current Interest Period.
- (e) Unavailability of Euro. If the Agent at any time determines that: (i) the Euro has ceased to be utilized as the basic accounting unit of the European Community; (ii) for reasons affecting the market in Euros generally, Euros are not freely traded between banks internationally; or (iii) it is illegal, impossible or impracticable for payments to be made hereunder in Euro, then the Agent may, in its discretion declare (such declaration to be binding on all the parties hereto) that any payment made or to be made thereafter which, but for this provision, would have been payable in the Euro shall be made in a component currency of the Euro or Dollars (as selected by the Agent (the "Selected ----- Currency") and the amount to be so paid shall be calculated on the basis of the equivalent of the Euro in the Selected Currency).
- (f) Additional Changes at Agent's Discretion. This section and other provisions of this Agreement relating to Euros and the National Currency Units of Participating Member States shall be subject to such further changes (including changes in interpretation or construction) as the Agent may from time to time in its reasonable discretion notify to the Borrowers and the Lenders to be necessary or appropriate to reflect the changeover to the Euro in Participating Member States.

## 2. REVOLVING CREDIT

2.1 Commitment. Subject to the terms and conditions of this Agreement (including without limitation Section 2.3 hereof), each Lender severally and for itself alone agrees to make Advances of the Revolving Credit in any one or more of the Permitted Currencies to the Company or to any of the Permitted Borrowers from time to time on any Business Day during the period from the Effective Date until (but excluding) the Revolving Credit Maturity Date in an aggregate amount, based on the Dollar Amount of any Advances outstanding in Dollars and the Current Dollar Equivalent of any Advances outstanding in Alternative Currencies, not to exceed

at any one time outstanding such Lender's Percentage of the Revolving Credit Aggregate Commitment. Except as provided in Section 2.12 hereof, for purposes of this Agreement, Advances in Alternative Currencies shall be determined, denominated and redenominated as set forth in Section 2.11 hereof. Subject to the terms and conditions set forth herein, advances, repayments and readvances may be made under the Revolving Credit. Advances of the Revolving Credit shall be subject to the following additional conditions and limitations:

- (a) No Permitted Borrower shall be entitled to request an Advance of the Revolving Credit or the Swing Line or the issuance of a Letter of Credit hereunder until (i) it has become a party to this Agreement, either by execution and delivery of this Agreement, or by execution and delivery of a Permitted Borrower Addendum to this Agreement, (ii) it has become a party to the applicable Guaranty either by execution and delivery of such Guaranty or by execution and delivery of a Joinder Agreement to such Guaranty, (iii) in the case of each Domestic Permitted Borrower, it has become a party to the applicable Security Agreement, (iv) in the case of the first Advance to a Foreign Permitted Borrower after the Effective Date, the Company, or such Foreign Permitted Borrower, has submitted to the Agent, not less than 90 days prior to date of such Advance, a FPB Advance Notice and (v) in the case of each Permitted Borrower, the Company has encumbered and/or delivered (or caused to be encumbered and/or delivered), as the case may be, pursuant to a Pledge Agreement those shares of stock issued by such Permitted Borrower and owned (directly or indirectly) by the Company which are required to be encumbered and/or delivered under the Prior Credit Agreement or Section 7.16 or 7.18 hereof, as applicable, and accompanied in each case by authority documents, legal opinions and other supporting documents as reasonably required by Agent and the Required Lenders hereunder;
- (b) No Subsidiary which is a Permitted Borrower as of the Effective Date nor any Foreign Subsidiary which becomes a Permitted Borrower after the Effective Date shall be entitled to request or maintain (or, in the case of any Eurocurrency-based Advance, maintain beyond any applicable Interest Period then in effect) an Advance of the Revolving Credit or the Swing Line or the issuance of a Letter of Credit hereunder if it ceases to be a 100% Subsidiary of the Company. Notwithstanding the foregoing, however, Siliconix (if it shall become a Permitted Borrower) shall be entitled to request (or maintain) Advances of the Revolving Credit and the Swing Line and the issuance of Letters of Credit hereunder so long as at least 80% of its common shares are owned directly or indirectly by the Company.

2.2 Accrual of Interest and Maturity; Evidence of Indebtedness. (a) The Company hereby unconditionally promises to pay to the Agent for the account of each Lender the then unpaid principal amount of each Revolving Credit Advance of such Lender made to the Company and each Permitted Borrower, and each Permitted Borrower hereby unconditionally promises to pay to the Agent for the account of each Lender the then unpaid principal amount of each Revolving Credit Advance of such Lender made to such Permitted Borrower, on the Revolving Credit Maturity Date and on such other dates and in such other amounts as may be required from time to time pursuant to this Agreement.

- (b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Company and each Permitted Borrower to the appropriate lending office of such Lender resulting from each Revolving Credit Advance made by such lending office of such Lender from time to time, including the amounts of principal and interest payable thereon and paid to such Lender from time to time under this Agreement.
- (c) The Agent shall maintain the Register pursuant to Section 13.8(f), and a subaccount therein for each Lender, in which Register and subaccounts (taken together) shall be recorded (i) the amount and applicable Permitted Currency of each Revolving Credit Advance made hereunder, the type thereof and each Interest Period applicable to any Eurocurrency-based Advance, (ii) the amount of any principal or interest due and payable or to become due and payable from the Company or the applicable Permitted Borrower, as the case may be, to each Lender hereunder in respect of the Revolving Credit Advances and (iii) both the amount of any sum received by the Agent hereunder from the Company or the applicable Permitted Borrower in respect of the Revolving Credit Advances and each Lender's share thereof.
- (d) The entries made in the Register and the accounts of each Lender maintained pursuant to paragraphs (b) and (c) of this Section 2.1 shall absent manifest error, to the extent permitted by applicable law, be conclusive evidence of the existence and amounts of the obligations of the Company and the Permitted Borrowers therein recorded; provided, however, that the failure of any Lender or the Agent to maintain the Register or any such account, as applicable, or any error therein, shall not in any manner affect the obligation of each of the Company and each Permitted Borrower to repay the Revolving Credit Advances (and all other amounts owing with respect thereto) made to the Company or such Permitted Borrower by such Lender in accordance with the terms of this Agreement.
- (e) The Company agrees that, upon written request to the Administrative Agent (with a copy to the Company) by any Lender, the Company and each of the Permitted Borrowers will execute and deliver, to such Lender, at the Company's (or such Permitted Borrower's) own expense, a Revolving Credit Note of each of the Company and each of the Permitted Borrowers evidencing the outstanding Revolving Credit Advances owing to such Lender; provided, that the delivery of such Revolving Credit Notes shall not be a condition precedent to the Effective Date.

2.3 Requests for and Refundings and Conversions of Advances. Company or a Permitted Borrower (with the countersignature of Company hereunder) may request an Advance of the Revolving Credit, refund any such Advance in the same type of Advance or convert any such Advance to any other type of Advance of the Revolving Credit only after delivery to Agent of a Request for Revolving Credit Advance executed by an Authorized Officer of Company or of such Permitted Borrower (with the countersignature of an Authorized Officer of the Company), subject to the following and to the remaining provisions hereof:

- (a) each such Request for Revolving Credit Advance shall set forth the information required on the Request for Advance form annexed hereto as Exhibit A-1, including without limitation:
- (i) the proposed date of such Advance, which must be a Business Day;
  - (ii) whether such Advance is a refunding or conversion of an outstanding Advance;
  - (iii) whether such Advance is to be a Prime-based Advance or a Eurocurrency-based Advance, and, except in the case of a Prime-based Advance, the first Interest Period applicable thereto; and
  - (iv) in the case of a Eurocurrency-based Advance, the Permitted Currency in which such Advance is to be made.
- (b) each such Request for Revolving Credit Advance shall be delivered to Agent by 12:00 noon (Detroit time) three (3) Business Days prior to the proposed date of Advance, except in the case of a Prime-based Advance, for which the Request for Advance must be delivered by 12:00 noon (Detroit time) on such proposed date;
- (c) on the proposed date of such Advance, the Dollar Amount of the principal amount of such requested Advance, plus the Dollar Amount of the principal amount of any other Advances of the Revolving Credit and of the Swing Line being requested on such date, plus the principal amount of all other Advances of the Revolving Credit and of the Swing Line then outstanding hereunder, in each case whether to Company or the Permitted Borrowers (using the Current Dollar Equivalent of any such Advances outstanding in any Alternative Currency, determined pursuant to the terms hereof as of the date of such requested Advance), plus the aggregate undrawn portion of any Letters of Credit which shall be outstanding as of the date of the requested Advance (based on the Dollar Amount of the undrawn portion of any Letters of Credit denominated in Dollars and the Current Dollar Equivalent of the undrawn portion of any Letters of Credit denominated in any Alternative Currency), the aggregate face amount of Letters of Credit requested but not yet issued (determined as aforesaid) and the aggregate amount of all drawings made under any Letter of Credit for which the Agent has not received full reimbursement from the applicable Account Party (using the Current Dollar Equivalent thereof for any Letters of Credit denominated in any Alternative Currency), shall not exceed the Revolving Credit Aggregate Commitment; provided however, that, in the case of any Advance of the Revolving Credit being applied to refund an outstanding Swing Line Advance, the aggregate principal amount of Swing Line Advances to be refunded shall not be included for purposes of calculating the limitation under this Section 2.3(c);
- (d) in the case of a Permitted Borrower, on the proposed date of such Advance, the principal amount of the Advance of the Revolving Credit being requested by such Permitted Borrower (determined and tested as aforesaid), plus the principal

amount of any other Advances of the Revolving Credit and of the Swing Line being requested by such Permitted Borrower on such date, plus the principal amount of any other Advances of the Revolving Credit and all Advances of the Swing Line then outstanding to such Permitted Borrower hereunder (determined as aforesaid), plus the undrawn portion of any Letter of Credit which shall be outstanding as of the date of the requested Advance for the account of such Permitted Borrower, plus the aggregate face amount of Letters of Credit requested but not yet issued for the account of such Permitted Borrower (in each case determined as aforesaid), plus the unreimbursed amount of any drawings under any Letters of Credit (using the Current Dollar Equivalent thereof for any Letters of Credit denominated in any Alternative Currency) issued for the account of such Permitted Borrower, shall not exceed the applicable Permitted Borrower Sublimit;

- (e) in the case of a Prime-based Advance, the principal amount of the initial funding of such Advance, as opposed to any refunding or conversion thereof, shall be at least \$10,000,000;
- (f) in the case of a Eurocurrency-based Advance, the principal amount of such Advance, plus the amount of any other outstanding Advance of the Revolving Credit to be then combined therewith having the same Applicable Interest Rate and Interest Period, if any, shall be at least Fifteen Million Dollars (\$15,000,000) or the equivalent thereof in an Alternative Currency (or a larger integral multiple of One Hundred Thousand Dollars (\$100,000), or the equivalent thereof in the applicable Alternative Currency) and at any one time there shall not be in effect more than (x) for Advances to Company, ten (10) Applicable Interest Rates and Interest Periods, and (y) for Advances to each Permitted Borrower five (5) Applicable Interest Rates and Interest Periods for each such currency;
- (g) a Request for Revolving Credit Advance, once delivered to Agent, shall not be revocable by Company or the Permitted Borrowers;
- (h) each Request for Revolving Credit Advance shall constitute a certification by the Company and the applicable Permitted Borrower, if any, as of the date thereof that:
  - (i) both before and after such Advance, the obligations of the Company and the Permitted Borrowers set forth in this Agreement and the other Loan Documents to which such Persons are parties are valid, binding and enforceable obligations of the Company and the Permitted Borrowers, as the case may be;
  - (ii) all conditions to Advances of the Revolving Credit have been satisfied, and shall remain satisfied to the date of such Advance (both before and after giving effect to such Advance);

- (iii) there is no Default or Event of Default in existence, and none will exist upon the making of such Advance (both before and after giving effect to such Advance);
- (iv) the representations and warranties contained in this Agreement and the other Loan Documents are true and correct in all material respects and shall be true and correct in all material respects as of the making of such Advance (both before and after giving effect to such Advance); and
- (v) the execution of such Request for Advance will not violate the material terms and conditions of any material contract, agreement or other borrowing of Company or the Permitted Borrowers.

Agent, acting on behalf of the Lenders, may, at its option, lend under this Section 2 upon the telephone request of an Authorized Officer of Company or a Permitted Borrower and, in the event Agent, acting on behalf of the Lenders, makes any such Advance upon a telephone request, the requesting officer shall fax to Agent, on the same day as such telephone request, a Request for Advance. Company and Permitted Borrowers hereby authorize Agent to disburse Advances under this Section 2.3 pursuant to the telephone instructions of any person purporting to be a person identified by name on a written list of persons authorized by the Company and delivered to Agent prior to the date of such request to make Requests for Advance on behalf of the Company and the Permitted Borrowers. Notwithstanding the foregoing, the Company and each Permitted Borrower acknowledge that Company and each such Permitted Borrower shall bear all risk of loss resulting from disbursements made upon any telephone request. Each telephone request for an Advance shall constitute a certification of the matters set forth in the Request for Revolving Credit Advance form as of the date of such requested Advance.

#### 2.4 Disbursement of Advances.

- (a) Upon receiving any Request for Revolving Credit Advance from Company or a Permitted Borrower under Section 2.3 hereof, Agent shall promptly notify each Lender by wire, telex or telephone (confirmed by wire, telecopy or telex) of the amount and currency of such Advance to be made and the date such Advance is to be made by said Lender pursuant to its Percentage of such Advance. Unless such Lender's commitment to make Advances of the Revolving Credit hereunder shall have been suspended or terminated in accordance with this Agreement, each such Lender shall make available the amount of its Percentage of each Advance in immediately available funds in the currency of such Advance to Agent, as follows:
  - (i) for Domestic Advances, at the office of Agent located at One Detroit Center, Detroit, Michigan 48226, not later than 3:00 p.m. (Detroit time) on the date of such Advance; and

- (ii) for Eurocurrency-based Advances, at the Agent's Correspondent for the account of the Eurocurrency Lending Office of the Agent, not later than 12 noon (the time of the Agent's Correspondent) on the date of such Advance.
- (b) Subject to submission of an executed Request for Revolving Credit Advance by Company or a Permitted Borrower (with the countersignature of the Company as aforesaid) without exceptions noted in the compliance certification therein, Agent shall make available to Company or to the applicable Permitted Borrower, as the case may be, the aggregate of the amounts so received by it from the Lenders in like funds and currencies:
  - (i) for Domestic Advances, not later than 4:00 p.m. (Detroit time) on the date of such Advance by credit to an account of Company or such Permitted Borrower maintained with Agent or to such other account or third party as Company or such Permitted Borrower may reasonably direct; and
  - (ii) for Eurocurrency-based Advances, not later than 4:00 p.m. (the time of the Agent's Correspondent) on the date of such Advance, by credit to an account of Company or such Permitted Borrower maintained with Agent's Correspondent or to such other account or third party as Company or such Permitted Borrower may reasonably direct.
- (c) Agent shall deliver the documents and papers received by it for the account of each Lender to such Lender or upon its order. Unless Agent shall have been notified by any Lender prior to the date of any proposed Advance that such Lender does not intend to make available to Agent such Lender's Percentage of such Advance, Agent may assume that such Lender has made such amount available to Agent on such date and in such currency, as aforesaid and may, in reliance upon such assumption, make available to Company or to the applicable Permitted Borrower, as the case may be, a corresponding amount. If such amount is not in fact made available to Agent by such Lender, as aforesaid, Agent shall be entitled to recover such amount on demand from such Lender. If such Lender does not pay such amount forthwith upon Agent's demand therefor, the Agent shall promptly notify Company, and Company or the applicable Permitted Borrower shall pay such amount to Agent. Agent shall also be entitled to recover from such Lender or Company or the applicable Permitted Borrower, as the case may be, but without duplication, interest on such amount in respect of each day from the date such amount was made available by Agent to Company or such Permitted Borrower, as the case may be, to the date such amount is recovered by Agent, at a rate per annum equal to:
  - (i) in the case of such Lender, for the first two (2) Business Days such amount remains unpaid, with respect to Domestic Advances, the Federal Funds Effective Rate, and with respect to Eurocurrency-based Advances, Agent's aggregate marginal cost (including the cost of maintaining any required reserves or deposit insurance and of any fees, penalties, overdraft

charges or other costs or expenses incurred by Agent as a result of such failure to deliver funds hereunder) of carrying such amount and thereafter, at the rate of interest then applicable to such Revolving Credit Advances; and

- (ii) in the case of Company or such Permitted Borrower, the rate of interest then applicable to such Advance of the Revolving Credit.

The obligation of any Lender to make any Advance of the Revolving Credit hereunder shall not be affected by the failure of any other Lender to make any Advance hereunder, and no Lender shall have any liability to the Company or any of its Subsidiaries, the Agent, any other Lender, or any other party for another Lender's failure to make any loan or Advance hereunder.

2.5 (a) Swing Line Advances. The Swing Line Bank shall, on the terms and subject to the conditions hereinafter set forth (including without limitation Section 2.5(c) hereof), make one or more advances in Dollars or in any Alternative Currency (each such advance being a "Swing Line Advance") to Company or any of the Permitted Borrowers (provided that any such Permitted Borrower has become a party to this Agreement, either by execution and delivery of this Agreement, or by complying with the terms and conditions set forth in Section 2.1(a) hereof), from time to time on any Business Day during the period from the date hereof to (but excluding) the Revolving Credit Maturity Date in an aggregate amount, based on the Dollar Amount of any such Advances outstanding in Dollars and the Current Dollar Equivalent of any such Advances outstanding in Alternative Currencies, not to exceed at any time outstanding the Swing Line Maximum Amount. Swing Line Bank shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Company and each of the Permitted Borrowers to Swing Line Bank resulting from each Swing Line Advance of such Lender from time to time, including the amounts of principal and interest payable thereon and paid to such Lender from time to time. The entries made in such account or accounts of Swing Line Bank shall, to the extent permitted by applicable law, be conclusive evidence, absent manifest error, of the existence and amounts of the obligations of the Company and the Permitted Borrower therein recorded; provided, however, that the failure of Swing Line Bank to maintain such account, as applicable, or any error therein, shall not in any manner affect the obligation of each of the Company and each Permitted Borrower to repay the Swing Line Advances (and all other amounts owing with respect thereto) made to the Company or such Permitted Borrower by Swing Line Bank in accordance with the terms of this Agreement. Advances, repayments and readvances under the Swing Line may be made, subject to the terms and conditions of this Agreement. Each Swing Line Advance shall mature and the principal amount thereof shall be due and payable by Company or the applicable Permitted Borrower on the last day of the Interest Period applicable thereto (if any) and in the case of any Prime-based Advance, on the Revolving Credit Maturity Date.

The Company agrees that, upon the written request of Swing Line Bank (with a copy concurrently delivered to the Agent), the Company and each of the Permitted Borrowers will execute and deliver to Swing Line Bank Swing Line Notes of each of the Company and each of the Permitted Borrowers; provided, that the delivery of such Swing Line Notes shall not be a condition precedent to the Effective Date.



- (b) Accrual of Interest. Each Swing Line Advance shall, from time to time after the date of such Advance, bear interest at its Applicable Interest Rate. The amount and date of each Swing Line Advance, its Applicable Interest Rate, its Interest Period, if any, and the amount and date of any repayment shall be noted on Swing Line Bank's account maintained pursuant to Section 2.5(a), which records will be conclusive evidence thereof, absent manifest error; provided, however, that any failure by the Swing Line Bank to record any such information shall not relieve Company or the applicable Permitted Borrower of its obligation to repay the outstanding principal amount of such Advance, all interest accrued thereon and any amount payable with respect thereto in accordance with the terms of this Agreement and the other Loan Documents.
- (c) Requests for Swing Line Advances. Company or a Permitted Borrower (with the countersignature of the Company) may request a Swing Line Advance only after delivery to Swing Line Bank (with a copy concurrently delivered to Agent) of a Request for Swing Line Advance executed by an Authorized Officer of Company or such Permitted Borrower, subject to the following and to the remaining provisions hereof:
- (i) each such Request for Swing Line Advance shall set forth the information required on the Request for Advance form annexed hereto as Exhibit A-2, including without limitation:
    - (A) the proposed date of such Swing Line Advance, which must be a Business Day;
    - (B) whether such Swing Line Advance is to be a Prime-based Advance, a Eurocurrency-based Advance or a Quoted Rate Advance;
    - (C) the duration of the Interest Period applicable thereto; and
    - (D) in the case of a Eurocurrency-based Advance, the Permitted Currency in which such Advance is to be made.
  - (ii) the Dollar Amount of the principal amount of such requested Swing Line Advance, plus the aggregate principal amount of all other Swing Line Advances then outstanding hereunder (including any other Swing Line Advances requested to be made on such date) whether to Company or to any of the Permitted Borrowers (using the Current Dollar Equivalent of any such Advances outstanding in any Alternative Currency, determined pursuant to the terms hereof as of the date of such requested Advance) shall not exceed the Swing Line Maximum Amount;
  - (iii) as of the proposed date of such Swing Line Advance, the Dollar Amount of the principal amount of such requested Swing Line Advance, plus the aggregate principal amount of all other Swing Line Advances and all Advances of the Revolving Credit then outstanding hereunder (including

any Revolving Credit Advances or other Swing Line Advances requested to be made on such date) whether to Company or to any of the Permitted Borrowers (using the Current Dollar Equivalent of any such Advances outstanding in any Alternative Currency, determined pursuant to the terms hereof as of the date of such requested Advance), and the aggregate undrawn portion of any Letters of Credit which shall be outstanding as of the date of the requested Swing Line Advance (based on the Dollar Amount of the undrawn portion of any Letters of Credit denominated in Dollars and the Current Dollar Equivalent of the undrawn portion of any Letters of Credit denominated in any Alternative Currency), plus the aggregate face amount of Letters of Credit requested but not yet issued (determined as aforesaid), plus the unreimbursed amount of any draws under Letters of Credit (using the Current Dollar Equivalent thereof for any Letters of Credit denominated in any Alternative Currency) shall not exceed the Revolving Credit Aggregate Commitment;

- (iv) in the case of any Permitted Borrower, as of the proposed date of such Swing Line Advance, the principal amount of the requested Swing Line Advance to such Permitted Borrower (determined as aforesaid), plus the aggregate principal amount of any other Swing Line Advances and all other Advances then outstanding to such Permitted Borrower hereunder (including, without duplication, Revolving Credit Advances or Swing Line Advances requested to be made on such date) determined as aforesaid, plus the aggregate undrawn portion of any Letters of Credit which shall be outstanding as of the date of the requested Swing Line Advance for the account of such Permitted Borrower, plus the aggregate face amount of any Letters of Credit requested but not yet issued for the account of such Permitted Borrower hereunder (in each case determined as aforesaid), plus the unreimbursed amount of any drawings under any Letters of Credit (using the Current Dollar Equivalent thereof for any Letters of Credit denominated in any Alternative Currency) issued for the account of such Permitted Borrower, shall not exceed the applicable Permitted Borrower Sublimit;
- (v) in the case of a Prime-based Advance, the principal amount of the initial funding of such Advance, as opposed to any refunding or conversion thereof, shall be at least One Hundred Thousand Dollars (\$100,000);
- (vi) in the case of a Eurocurrency-based Advance or a Quoted Rate Advance, the principal amount of such Advance, the principal amount of such Swing Line Advance plus the amount of any other outstanding Advance of the Swing Line to be then combined therewith having the same Applicable Interest Rate and Interest Period, if any, shall be, at least Two Hundred Fifty Thousand Dollars (\$250,000), or the equivalent thereof in an Alternative Currency (or a larger integral multiple of One Hundred Thousand Dollars (\$100,000), or the equivalent thereof in the applicable Alternative Currency), and at any one time there shall not be in effect

more than (x) for Advances in Dollars, Five (5) Applicable Interest Rates and Interest Periods, and (y) for Advances in any Alternative Currency (other than eurodollars), two (2) Applicable Interest Rates and Interest Periods for each such currency;

- (vii) each such Request for Swing Line Advance shall be delivered to the Swing Line Bank (with a copy concurrently delivered to Agent) (x) for each Advance in Dollars, by 2:00 p.m. (eastern time) (or such other time as Swing Line Bank shall specify to Company or the applicable Permitted Borrower) on the proposed date of the Advance and (y) for each Advance in any Alternative Currency, by 10:00 a.m. (eastern time) two (2) Business Days prior to the proposed date of Advance;
- (viii) each Request for Swing Line Advance, once delivered to Swing Line Bank, shall be irrevocable by Company, and shall constitute and include a certification by the Company as of the date thereof that:
  - (A) both before and after such Swing Line Advance, the obligations of the Company set forth in this Agreement and the Loan Documents, are valid, binding and enforceable obligations of the Company;
  - (B) all conditions to the making of Swing Line Advances have been satisfied (both before and after giving effect to such Advance);
  - (C) both before and after the making of such Swing Line Advance, there is no Default or Event of Default in existence; and
  - (D) both before and after such Swing Line Advance, the representations and warranties contained in this Agreement and the other Loan Documents are true and correct in all material respects.
- (ix) At the option of the Swing Line Bank, subject to revocation by Swing Line Bank at any time and from time to time, the Company may utilize the Swing Line Bank's "Sweep to Loan" automated system for obtaining Swing Line Advances. Each time a Swing Line Advance is made using the "Sweep to Loan" system, the Company shall be deemed to have certified to the Swing Line Bank and the Lenders each of the matters set forth in clause (viii) of this Section. Swing Line Bank may revoke the Company's privilege to use the "Sweep to Loan" system at any time and from time to time for any reason, and, immediately upon any such revocation, the "Sweep to Loan" system shall no longer be available to the Company for the funding of Swing Line Advances hereunder (or otherwise) and regular procedures set forth for the making of Swing Line Advances shall be deemed immediately to apply. If the Swing Line Bank makes any Swing Line Advances such that (i) the total amount of the Advances and outstanding Letters of Credit exceeds the Revolving Credit Aggregate Commitment or (ii) the total of Swing Line Advances exceeds

the Swing Line Maximum Amount as a result, in either case, of the Company's use of the "Sweep to Loan" system, no Lender shall be required to participate in any such excess Swing Line Advances.

- (d) Disbursement of Swing Line Advances. Unless otherwise notified in writing by Agent promptly following each receipt of Request for Swing Line Advance hereunder, Swing Line Bank may assume that all conditions precedent to the disbursement of such requested Swing Line Advance have been satisfied, including without limitation that no Default or Event of Default has occurred and is continuing and that the entirety of the Swing Line Maximum Amount less any outstanding Swing Line Advances is available hereunder (provided that Agent shall have no responsibility whatsoever to Swing Line Bank or to any other Lender to give any notice hereunder, except as set forth in Section 12.12 of this Agreement), and subject to the proper submission of an executed Request for Swing Line Advance by Company or a Permitted Borrower without exceptions noted in the compliance certification therein and to the other terms and conditions hereof, Swing Line Bank shall make available to Company or the applicable Permitted Borrower the amount so requested, in like funds and currencies, not later than:
- (i) for Prime-based Advances or Quoted Rate Advances, not later than 5:00 p.m. (eastern time) on the date of such Advance by credit to an account of Company or the applicable Permitted Borrower maintained with the Swing Line Bank or with Agent or to such other account or third party as Company or the Permitted Borrower may reasonably direct in writing; and
  - (ii) for Eurocurrency-based Advances, not later than 4:00 p.m. (the time of the office of Swing Line Bank funding such Advance) on the date of such Advance, by credit to an account of Company or the Permitted Borrower maintained with the Swing Line Bank's or the Agent's Correspondent or to such other account or third party as Company or the applicable Permitted Borrower may reasonably direct.

Swing Line Bank shall promptly notify Agent of any Swing Line Advance by telephone, telex or telecopier.

- (e) Refunding of or Participation Interest in Swing Line Advances.
- (i) Acting through Agent (which shall, subject to the terms hereof, comply with the Swing Line Bank's request), the Swing Line Bank, at any time in its sole and absolute discretion, may on behalf of the Company or the applicable Permitted Borrower (each of which hereby irrevocably directs the Swing Line Bank and the Agent to act on its behalf) request each of the Lenders (including the Swing Line Bank in its capacity as a Lender) to make an Advance of the Revolving Credit to each of Company and the applicable Permitted Borrowers, for each Permitted Currency in which Swing Line Advances are outstanding to such party, in an amount (in the

applicable Permitted Currency, determined in accordance with Section 2.11(b) hereof) equal to such Lender's Percentage of the principal amount of the aggregate Swing Line Advances outstanding in each Permitted Currency to each such party on the date such notice is given (the "Refunded Swing Line Advances"); provided however that Swing Line Advances which are carried at the Quoted Rate or the Eurocurrency-based Rate which are converted to Revolving Credit Advances at the request of the Swing Line Bank at a time when no Default or Event of Default has occurred and is continuing, shall not be subject to Section 11.1 and no losses, costs or expenses may be assessed by the Swing Line Bank against the Company, a Permitted Borrower or the other Banks as a consequence of such conversion. In the case of each Refunded Swing Line Advance outstanding in Dollars, the applicable Advance of the Revolving Credit used to refund such Swing Line Advance shall be a Prime-based Advance. In the case of each Refunded Swing Line Advance outstanding in any Alternative Currency, the applicable Advance of the Revolving Credit used to refund such Swing Line Advance shall be an Advance in the applicable Alternative Currency, with an Interest Period of one month (or any lesser number of days selected by Agent in consultation with the Lenders). In connection with the making of any such Refunded Swing Line Advances or the purchase of a participation interest in Swing Line Advances under Section 2.5(e)(ii) hereof, the Swing Line Bank shall retain its claim against the Company or the applicable Permitted Borrower for any unpaid interest or fees in respect thereof. Unless any of the events described in Section 9.1(j) hereof shall have occurred (in which event the procedures of subparagraph (ii) of this Section 2.5(e) shall apply) and regardless of whether the conditions precedent set forth in this Agreement to the making of an Advance of the Revolving Credit are then satisfied, but subject to Section 2.5(e)(iii), each Lender shall make the proceeds of its Advance of the Revolving Credit available to the Agent for the benefit of the Swing Line Bank at the office of the Agent specified in Section 2.4(a) hereof prior to 11:00 a.m. Detroit time (for Domestic Advances) on the Business Day next succeeding the date such notice is given, and, in the case of any Eurocurrency-based Advance, prior to 2:00 p.m. Detroit time on the third Business Day following the date such notice is given, in each case in immediately available funds in the applicable Permitted Currency. The proceeds of such Advances of the Revolving Credit shall be promptly delivered by Agent to the Swing Line Bank for application to repay the Refunded Swing Line Advances in accordance with the terms and conditions of this Agreement.

- (ii) If, prior to the making of an Advance of the Revolving Credit pursuant to subparagraph (i) of this Section 2.5(e), one of the events described in Section 9.1(j) hereof shall have occurred, each Lender will, on the date such Advance of the Revolving Credit was to have been made, purchase from the Swing Line Bank an undivided participating interest in each Refunded Swing Line Advance in an amount equal to its Percentage of

such Refunded Swing Line Advance. Each Lender within the time periods specified in Section 2.5(e)(i) hereof, as applicable, shall immediately transfer to the Swing Line Bank, in immediately available funds in the applicable Permitted Currency of such Swing Line Advance, the amount of its participation and upon receipt thereof the Swing Line Bank will deliver to such Lender a participation certificate evidencing such participation.

- (iii) Each Lender's obligation to make Advances of the Revolving Credit and to purchase participation interests in accordance with clauses (i) and (ii) of this Section 2.5(e) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against Swing Line Bank, the Company, the Permitted Borrowers or any other Person for any reason whatsoever; (ii) the occurrence or continuance of any Default or Event of Default; (iii) any adverse change in the condition (financial or otherwise) of the Company, any Permitted Borrower or any other Person; (iv) any breach of this Agreement by the Company, any Permitted Borrower or any other Person; (v) any inability of the Company or the Permitted Borrowers to satisfy the conditions precedent to borrowing set forth in this Agreement on the date upon which such Advance is to be made or such participating interest is to be purchased; (vi) the termination of the Revolving Credit Aggregate Commitment hereunder; or (vii) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If any Lender does not make available to the Agent or the Swing Line Bank, as applicable the amount required pursuant to clause (i) or (ii) above, as the case may be, the Agent or the Swing Line Bank, as the case may be, shall be entitled to recover such amount on demand from such Lender, together with interest thereon for each day from the date of non-payment until such amount is paid in full (x) for the first two (2) Business Days such amount remains unpaid, at the Federal Funds Effective Rate for Advances in Dollars (other than eurodollars) and for Eurocurrency-based Advances, the Agent's marginal cost (including the cost of maintaining any required reserves or deposit insurance and of any fees, penalties, overdraft charges or other costs or expenses incurred by Agent as a result of such failure to deliver funds hereunder) of carrying such amount and (y) thereafter, at the rate of interest then applicable to such Swing Line Advances. The obligation of any Lender to make available its pro rata portion of the amounts required pursuant to clause (i) or (ii) above shall not be affected by the failure of any other Lender to make such amounts available, and no Lender shall have any liability to the Company or any Permitted Borrower, the Agent, the Swing Line Bank, or any other Lender or any other Person for another Lender's failure to make the amounts required under clause (i) or (ii) available.

Notwithstanding the foregoing, however, no Lender shall be required to make any Revolving Credit Advance to refund a Swing Line Advance or to purchase a participation in a Swing Line Advance (including without limitation any Swing Line Advance funded under the "Sweep to Loan" system) if, prior to the making of the Swing Line Advance, the Swing Line Bank had received written notice that an Event of Default had occurred and was continuing, or that the conditions to the making of such Swing Line Advances had not been satisfied; provided, however that the obligation of the Lenders to make such Revolving Credit Advances or to purchase participations in Swing Line Advances shall be reinstated upon the date which such Event of Default has been waived by the Required Lenders or all Lenders, as applicable.

2.6 Prime-based Interest Payments. Interest on the unpaid balance of all Prime-based Advances of the Revolving Credit and all Swing Line Advances carried at the Prime-based Rate from time to time outstanding shall accrue from the date of such Advance to the Revolving Credit Maturity Date (and until paid), at a per annum interest rate equal to the Prime-based Rate, and shall be payable in immediately available funds (a) with respect to Swing Line Advances, quarterly commencing on the first day of the calendar quarter next succeeding the calendar quarter during which the initial Swing Line Advance is made and on the first day of each calendar quarter thereafter, and (b) with respect to Advances of the Revolving Credit, quarterly commencing on the first day of the calendar quarter next succeeding the calendar month during which the initial Advance of the Revolving Credit is made and on the first day of each calendar quarter thereafter. Interest accruing at the Prime-based Rate shall be computed on the basis of a 360 day year and assessed for the actual number of days elapsed, and in such computation effect shall be given to any change in the interest rate resulting from a change in the Prime-based Rate on the date of such change in the Prime-based Rate.

2.7 Eurocurrency-based Interest Payments and Quoted Rate Interest Payments.

- (a) Interest on each Eurocurrency-based Advance of the Revolving Credit and all Swing Line Advances carried at the Eurocurrency-based Rate shall accrue at its Applicable Interest Rate and shall be payable in immediately available funds on the last day of the Interest Period applicable thereto (and, if any Interest Period shall exceed three months, then on the last Business Day of the third month of such Interest Period, and at three month intervals thereafter). Interest accruing at the Eurocurrency-based Rate shall be computed on the basis of a 360 day year (except that any such Advances made in Sterling or any other Alternative Currency with respect to which applicable law or market custom so requires shall be calculated based on a 365 day year, or as otherwise required under applicable law or market custom) and assessed for the actual number of days elapsed from the first day of the Interest Period applicable thereto to but not including the last day thereof. Interest due on a Eurocurrency-based Advance made in an Alternative Currency shall be paid in such Alternative Currency.
- (b) Interest on each Quoted Rate Advance of the Swing Line shall accrue at its Quoted Rate and shall be payable in immediately available funds on the last day

of the Interest Period applicable thereto. Interest accruing at the Quoted Rate shall be computed on the basis of a 360 day year (except that any such Advances made in any Alternative Currency with respect to which applicable law or market custom so requires shall be calculated based on a 365 day year, or as otherwise required under applicable law or market custom) and assessed for the actual number of days elapsed from the first day of the Interest Period applicable thereto to, but not including the last day thereof.

- (c) If the basis of accrual of interest or fees expressed in this Agreement with respect to the National Currency Unit of a Participating Member State shall be inconsistent with any convention or practice in the London interbank market or other applicable interbank market, as the case may be, for the basis of accrual of interest or fees with respect to the Euro, such convention or practice shall replace such expressed basis, effective as of and from the date on which such country becomes a Participating Member State; provided that if any Eurocurrency-based Advance in the currency of such country is outstanding immediately prior to such date, such replacement shall take effect, with respect to such Advance, at the end of the then current Interest Period.

2.8 Interest Payments on Conversions. Notwithstanding anything to the contrary in the preceding sections, all accrued and unpaid interest on any Advance converted pursuant to Section 2.3 hereof shall be due and payable in full on the date such Advance is converted.

2.9 Interest on Default. In the event and so long as any Event of Default under Section 9.1(a) or 9.1(b) shall exist, interest shall be payable daily on all Eurocurrency-based Advances of the Revolving Credit, Swing Line Advances carried at the Eurocurrency-based Rate and Quoted Rate Advances from time to time outstanding at a per annum rate equal to the Applicable Interest Rate plus three percent (3%) for the remainder of the then existing Interest Period, if any, and at all other such times, with respect to Prime-based Advances from time to time outstanding, at a per annum rate equal to the Prime-based Rate plus three percent (3%), and, with respect to Eurocurrency-based Advances thereof in any Alternative Currency from time to time outstanding, (i) at a per annum rate calculated by the Agent, whose determination shall be conclusive absent manifest error, on a daily basis, equal to three percent (3%) above the interest rate per annum at which one (1) day deposits (or, if such amount due remains unpaid for more than three (3) Business Days, then for such other period of time as the Agent may elect which shall in no event be longer than six (6) months) in the relevant eurocurrency in the amount of such overdue payment due to the Agent are offered by the Agent's Eurocurrency Lending Office for the applicable period determined as provided above, or (ii) if at any such time such deposits are not offered by Eurocurrency Lending Office, then at a rate per annum equal to three percent (3%) above the rate determined by the Agent to be its aggregate marginal cost (including the cost of maintaining any required reserves or deposit insurance) of carrying the amount of such Eurocurrency-based Advance.

2.10 Prepayment. (a) Company or the Permitted Borrowers may prepay all or part of the outstanding balance of any Prime-based Advance(s) of the Revolving Credit at any time, provided that the amount of any partial prepayment shall be at least One Million Dollars (\$1,000,000) and, after giving effect to any such partial prepayment, the aggregate balance of



Prime-based Advance(s) of the Revolving Credit remaining outstanding, if any, shall be at least Five Million Dollars (\$5,000,000). Subject to Section 11.1 hereof, Company or the Permitted Borrowers may prepay all or part of any Eurocurrency-based Advance (subject to not less than two (2) Business Days' notice to Agent) provided that the amount of any such partial prepayment shall be at least One Million Dollars (\$1,000,000), or the Current Dollar Equivalent thereof in an Alternative Currency, and, after giving effect to any such partial prepayment, the unpaid portion of such Advance which is refunded or converted under Section 2.3 hereof shall be at least Fifteen Million Dollars (\$15,000,000) or the Current Dollar Equivalent thereof in an Alternative Currency.

- (b) Company may prepay all or part of the outstanding balance of any Swing Line Advance carried at the Prime-based Rate at any time, provided that, unless the "Sweep to Loan" system shall be in effect hereunder, the amount of any partial prepayment shall be at least Twenty Five Thousand Dollars (\$25,000) and, after giving effect to any such partial prepayment, the aggregate balance of such Swing Line Advances remaining outstanding, if any, shall be at least One Hundred Thousand Dollars (\$100,000). Subject to Section 11.1 hereof, Company may prepay all or part of any Swing Line Advances carried at the Eurocurrency-based Rate or Quoted Rate (subject to not less than two (2) Business Days' notice to Swing Line Bank and Agent) only on the last day of the Interest Period therefor, provided that the amount of any such partial payment shall be at least Twenty Five Thousand Dollars (\$25,000) and, after giving effect to any such partial prepayment, the unpaid portion of such Advance which is refunded or converted under Section 2.5(c) hereof shall be at least Two Hundred Fifty Thousand Dollars (\$250,000).
- (c) Any prepayment made in accordance with this Section shall be subject to Section 11.1 hereof, but otherwise without premium, penalty or prejudice to the right to readvance under the terms of this Agreement.

2.11 Determination, Denomination and Redenomination of Alternative Currency Advances. Whenever, pursuant to any provision of this Agreement:

- (a) an Advance of the Revolving Credit or a Swing Line Advance is initially funded, as opposed to any refunding or conversion thereof, in an Alternative Currency, the amount to be advanced hereunder will be the equivalent in such Alternative Currency of the Dollar Amount of such Advance;
- (b) an existing Advance of the Revolving Credit or a Swing Line Advance denominated in an Alternative Currency is to be refunded, in whole or in part, with an Advance denominated in the same Alternative Currency, the amount of the new Advance shall be continued in the amount of the Alternative Currency so refunded;
- (c) an existing Advance of the Revolving Credit denominated in an Alternative Currency is to be converted, in whole or in part, to an Advance denominated in another Alternative Currency, the amount of the new Advance shall be that

amount of the Alternative Currency of the new Advance which may be purchased, using the most favorable spot exchange rate determined by Agent to be available to it for the sale of Dollars for such other Alternative Currency at approximately 11:00 a.m. (Detroit time) two (2) Business Days prior to the last day of the Eurocurrency Interest Period applicable to the existing Advance, with the Dollar Amount of the existing Advance, or portion thereof being converted; and

- (d) an existing Advance of the Revolving Credit denominated in an Alternative Currency is to be converted, in whole or in part, to an Advance denominated in Dollars, the amount of the new Advance shall be the Dollar Amount of the existing Advance, or portion thereof being converted (determined as aforesaid).

2.12 Prime-based Advance in Absence of Election or Upon Default. If, (a) as to any outstanding Eurocurrency-based Advance of the Revolving Credit, or any Swing Line Advance carried at the Eurocurrency-based Rate, Agent has not received payment of all outstanding principal and accrued interest on the last day of the Interest Period applicable thereto, or does not receive a timely Request for Advance meeting the requirements of Section 2.3 or 2.5(c) hereof with respect to the refunding or conversion of such Advance, or (b) if any Advance denominated in an Alternative Currency or any deemed Advance under Section 3.6 hereof in respect of a Letter of Credit denominated in an Alternative Currency cannot be refunded or made, as the case may be, in such Alternative Currency by virtue of Section 11.3 hereof, or (c) subject to Section 2.9 hereof, if on such day a Default or an Event of Default shall have occurred and be continuing, then the principal amount thereof which is not then prepaid in the case of a Eurocurrency-based Advance shall, absent a contrary election of the Required Lenders, be converted automatically to a Prime-based Advance and the Agent shall thereafter promptly notify Company of said action. If a Eurocurrency-based Advance converted hereunder is payable in an Alternative Currency, the Prime-based Advance shall be in an amount equal to the Dollar Amount of such Eurocurrency-based Advance at such time and the Agent and the Lenders shall use said Prime-based Advance to fund payment of the Alternative Currency obligation, all subject to the provisions of Section 2.14 hereof. The Company and the Permitted Borrowers, if applicable, shall reimburse the Agent and the Lenders on demand for any costs incurred by the Agent or any of the Lenders, as applicable, resulting from the conversion pursuant to this Section 2.12 of Eurocurrency-based Advances payable in an Alternative Currency to Prime-based Advances.

2.13 Revolving Credit Facility Fee. From the Effective Date to the Revolving Credit Maturity Date, the Company shall pay to the Agent, for distribution to the Lenders (as set forth below), a Revolving Credit Facility Fee determined by multiplying the Applicable Fee Percentage per annum times the Revolving Credit Aggregate Commitment then applicable under Section 2.15 hereof (whether used or unused) then in effect without giving effect to any reductions therein based on the amount of the LYONs Reserve, computed on a daily basis. The Revolving Credit Facility Fee shall be payable quarterly in arrears commencing October 1, 2003 (in respect of the prior calendar quarter or portion thereof), and on the first day of each calendar quarter thereafter and on the Revolving Credit Maturity Date, and shall be computed on the basis of a year of three hundred sixty (360) days and assessed for the actual number of days elapsed. Whenever any payment of the Revolving Credit Facility Fee shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next Business Day. Upon

receipt of such payment Agent shall make prompt payment to each Lender of its share of the Revolving Credit Facility Fee based upon its respective Percentage.

2.14 Currency Appreciation; Mandatory Reduction of Indebtedness.

- (a) Revolving Credit Aggregate Commitment. If at any time and for any reason, the aggregate principal amount of all Advances of the Revolving Credit hereunder to the Company and to the Permitted Borrowers made in Dollars and the aggregate Current Dollar Equivalent of all Advances of the Revolving Credit outstanding hereunder to the Company and to the Permitted Borrowers in any Alternative Currency as of such time, plus the aggregate principal amount of Swing Line Advances outstanding hereunder as of such time (determined as aforesaid), plus the aggregate undrawn portion of any Letters of Credit which shall be outstanding (based on the Dollar Amount of the undrawn portion of any Letters of Credit denominated in Dollars and the Current Dollar Equivalent of the undrawn portion of any Letters of Credit denominated in any Alternative Currency), plus the face amount of all Letters of Credit requested but not yet issued (determined as aforesaid), plus the unreimbursed amount of any draws under any Letters of Credit (using the Current Dollar Equivalent thereof for any Letters of Credit denominated in any Alternative Currency), as of such time exceeds the Revolving Credit Aggregate Commitment (as used in this clause (a), the "Excess"), the Company and the Permitted Borrowers shall:
- (i) immediately repay that portion of such Indebtedness then carried as a Prime-based Advance, if any, by the Dollar Amount of such Excess, and/or reduce any pending request for an Advance in Dollars on such day by the Dollar Amount of the Excess, to the extent thereof; and
  - (ii) on the last day of each Interest Period of any Eurocurrency-based Advance outstanding as of such time, until the necessary reductions of Indebtedness under this Section 2.14(a) have been fully made, repay the Indebtedness carried in such Advances and/or reduce any requests for refunding or conversion of such Advances submitted (or to be submitted) by the Company or the applicable Permitted Borrower in respect of such Advances, by the amount in Dollars or the applicable Alternative Currency, as the case may be, of the Excess, to the extent thereof.

Compliance with this Section 2.14(a) shall be tested on a daily or other basis satisfactory to Agent in its sole discretion, provided that, so long as no Default or Event of Default has occurred and is continuing, at any time while the aggregate Advances of the Revolving Credit available to be borrowed hereunder (based on the Revolving Credit Aggregate Commitment then in effect) equal or exceed Fifty Million Dollars (\$50,000,000), compliance with this Section 2.14(a) shall be tested as of the last day of each calendar quarter. Notwithstanding the foregoing, upon the occurrence and during the continuance of any Default or Event of Default, or if any Excess remains after recalculating said Excess based on ninety-five percent (95%) of the Current Dollar Equivalent of any Advances or Letters of

Credit denominated in Alternative Currencies (and one hundred percent (100%) of any Advances or Letters of Credit denominated in Dollars), Company and the Permitted Borrowers shall be obligated immediately to reduce the foregoing Indebtedness hereunder by an amount sufficient to eliminate such Excess.

- (b) Permitted Borrower Sublimit. If at any time and for any reason with respect to any Permitted Borrower, the aggregate principal amount (tested in the manner set forth in clause (a) above) of all Advances of the Revolving Credit and of the Swing Line outstanding hereunder to such Permitted Borrower, plus the aggregate undrawn portion of any Letters of Credit, plus the face amount of any Letters of Credit requested but not yet issued, plus the unreimbursed amount of any drawings under any Letters of Credit to or for the account of such Permitted Borrower (tested in the manner set forth in clause (a) above), which Advances and Letters of Credit are made or issued, or to be made or issued, in Dollars and ninety percent (90%) of the aggregate Current Dollar Equivalent of all such Advances and Letters of Credit (including unreimbursed draws) hereunder for the account of such Permitted Borrower in any Alternative Currency as of such time, exceeds the applicable Permitted Borrower Sublimit (as used in this clause (b), the "Excess"), then in each case, such Permitted Borrower shall
- (i) immediately repay that portion of the Indebtedness outstanding to such Permitted Borrower then carried as a Prime-based Advance, if any, by the Dollar Amount of such Excess, and/or reduce on such day any pending request for an Advance in Dollars submitted by such Permitted Borrower by the Dollar Amount of such Excess, to the extent thereof; and
  - (ii) on the last day of each Interest Period of any Eurocurrency-based Advance outstanding to such Permitted Borrower as of such time, until the necessary reductions of Indebtedness under this Section 2.14(b) have been fully made, repay such Indebtedness carried in such Advances and/or reduce any requests for refunding or conversion of such Advances submitted (or to be submitted) by such Permitted Borrower in respect of such Advances, by the amount in Dollars or the applicable Alternative Currency, as the case may be, of such Excess, to the extent thereof.

Provided that no Default or Event of Default has occurred and is continuing, each Permitted Borrower's compliance with this Section 2.14(b) shall be tested as of the last day of each calendar quarter or, upon the written request of the Company from time to time, as of the last day of each calendar month, provided the Company furnishes Agent with current monthly financial statements complying with the requirements set forth in subparagraphs (i) and (ii) of Section 7.3(c) hereof. Upon the occurrence and during the continuance of any Default or Event of Default, compliance with this Section 2.14(b) shall be tested on a daily or other basis satisfactory to Agent in its sole discretion.

2.15 Optional Reduction or Termination of Revolving Credit Aggregate Commitment. Provided that no Default or Event of Default has occurred and is continuing, the Company may upon at least five (5) Business Days' prior written notice to the Agent, permanently reduce the

Revolving Credit Aggregate Commitment in whole at any time, or in part from time to time, without premium or penalty, provided that: (i) each partial reduction of the Revolving Credit Aggregate Commitment shall be in an aggregate amount equal to Twenty Million Dollars (\$20,000,000) or a larger integral multiple of One Million Dollars (\$1,000,000); (ii) each reduction shall be accompanied by the payment of the Revolving Credit Facility Fee, if any, accrued to the date of such reduction; (iii) the Company or any Permitted Borrower, as applicable, shall prepay in accordance with the terms hereof the amount, if any, by which the aggregate unpaid principal amount of Advances (using the Current Dollar Equivalent of any such Advance outstanding in any Alternative Currency) of the Revolving Credit, plus the aggregate principal amount of Swing Line Advances outstanding hereunder (using the Current Dollar Equivalent of any such Advance outstanding in an Alternative Currency), plus the aggregate undrawn amount of outstanding Letters of Credit (using the Current Dollar Equivalent thereof for any Letters of Credit denominated in any Alternative Currency), plus the unreimbursed amount of any draws under any Letters of Credit (determined as aforesaid), exceeds the amount of the Revolving Credit Aggregate Commitment as so reduced, together with interest thereon to the date of prepayment; (iv) if the termination or reduction of the Revolving Credit Aggregate Commitment requires the prepayment of a Eurocurrency-based Advance or a Quoted Rate Advance, the termination or reduction may be made only on the last Business Day of the then current Interest Period applicable to such Eurocurrency-based Advance or such Quoted Rate Advance; and (v) no reduction shall reduce the Revolving Credit Aggregate Commitment to an amount which is less than the aggregate undrawn amount of any Letters of Credit outstanding at such time. Reductions of the Revolving Credit Aggregate Commitment and any accompanying prepayments of Advances of the Revolving Credit shall be distributed by Agent to each Lender in accordance with such Lender's Percentage thereof, and will not be available for reinstatement by or readvance to the Company or any Permitted Borrower, and any accompanying prepayments of Advances of the Swing Line shall be distributed by Agent to the Swing Line Bank and will not be available for reinstatement by or readvance to the Company. Any reductions of the Revolving Credit Aggregate Commitment hereunder shall reduce each Lender's portion thereof proportionately (based on the applicable Percentages), and shall be permanent and irrevocable. Any payments made pursuant to this Section shall be applied first to outstanding Prime-based Advances under the Revolving Credit, next to Swing Line Advances carried at the Prime-based Rate, next to Eurocurrency-based Advances of the Revolving Credit and then to Swing Line Advances carried at the Eurocurrency-based Rate or the Quoted Rate.

2.16 Extensions of Revolving Credit Maturity Date. (a) Provided that no Default or Event of Default has occurred and is continuing, Company may, by written notice to Agent and each Lender (which notice shall be irrevocable and which shall not be deemed effective unless actually received by Agent and each Lender) prior to April 30 but not before March 31st of 2004 (provided in no event shall the Company request an extension of the Revolving Credit Maturity Date beyond the first put date for the New Convertible Subordinated Debt), request that the Lenders extend the then applicable Revolving Credit Maturity Date to a date that is one year later than the Revolving Credit Maturity Date then in effect (such request, a "Request").

(b) Each Lender shall, within 30 days of receipt of such request, notify the Agent in writing whether such Lender consents to the extension of the Revolving Credit Maturity Date, such consent to be in the sole discretion of such Lender. If any Lender does not so notify the Agent of its decision within such 30 day period,

such Lender shall be deemed to have not consented to such request of the Borrower.

- (c) The Agent shall promptly notify the Company whether the Lenders have consented to such request. If the Agent does not so notify the Company within 30 days of the Agent's receipt such Request, the Agent shall be deemed to have notified the Company that the Lenders have not consented to the Company's request.
- (d) Each Lender which elects not to extend the Revolving Credit Maturity Date or fails to so notify the Agent of such consent (a "Non-Consenting Lender") hereby agrees that if any other Lender or financial institution acceptable to the Company and the Agents offers to purchase such Non-Consenting Lender's Percentage of the Revolving Credit Aggregate Commitment within 180 days after receipt of the related Request for a purchase price equal to the sum of all amounts then owing with respect to the outstanding Advances (and participations in any Swing Line Advances or any Letters of Credit) and all other amounts accrued for the account of such Non-Consenting Lender, such Non-Consenting Lender will promptly assign, sell and transfer all of its right, title, interest and obligations with respect to the foregoing to such other Lender or financial institution pursuant to and on the terms specified in the form of Assignment Agreement attached hereto as Exhibit E. Before assigning to a financial institution other than a Lender pursuant to this clause (d), each Lender that has elected to extend the Revolving Credit Maturity Date (a "Consenting Lender") shall have the right, but not any obligation, pro rata with all other Consenting Lenders which elect to purchase a pro rata share of such non-consenting Lender's Percentage of the Revolving Credit Aggregate Commitment (and participations in Swing Line Advances and Letters of Credit) to purchase each such Non-Consenting Lender's Percentage thereof pursuant to this clause (d). The Consenting Lenders which elect to exercise their purchase options hereunder shall by mutual agreement determine the amount of each Non-Consenting Lender's Percentage of the Revolving Credit Aggregate Commitment being purchased by each Consenting Lender, provided that if there is any dispute among the Consenting Lenders such purchase shall be based upon a pro rata sharing of each Non-Consenting Lender's Percentage thereof. Only if the Consenting Lenders have determined not to purchase all of the Non-Consenting Lender's Revolving Credit Aggregate Commitment may financial institutions other than a Consenting Lender then purchase such Non-Consenting Lender's Revolving Credit Aggregate Commitment.
- (e) Except as set forth in subparagraph (f) hereof, notwithstanding anything herein to the contrary, the Revolving Credit Maturity Date will not be extended unless all Lenders have consented to the extension or if another Lender or financial institution has purchased each such Non-Consenting Lender's Revolving Credit Aggregate Commitment pursuant to the terms of clause (d) above.
- (f) In the event, after giving effect to any assignments to Consenting Lenders under Section 2.16(d) hereof or otherwise, Lenders holding eighty percent (80%) or

more of the Percentages (the "Approving Percentages") have consented to an extension of the Revolving Credit Maturity Date hereunder, such extension shall become effective, notwithstanding that all of the Lenders have failed to approve such extension in accordance with this Section 2.16, so long as Company, within forty five (45) days, reduces the Revolving Credit Aggregate Commitment to an amount not greater than the product of the Approving Percentages times the Revolving Credit Aggregate Commitment then in effect and repays the Indebtedness then outstanding hereunder (and, if necessary causes any outstanding Letters of Credit to be terminated or discharged) to the extent such Indebtedness exceeds the Revolving Credit Aggregate Commitment as so reduced, such that the entire Indebtedness outstanding to the Non-Consenting Lenders shall have been paid and discharged in full. Reductions may be made without regard to the notice provisions set forth in Section 2.15 hereof, but shall otherwise comply with said Section 2.15, except that any amounts repaid by the Company against the Indebtedness pursuant to this subparagraph (f) shall be first applied to the Indebtedness outstanding to the Non-Consenting Lenders still holding Indebtedness hereunder at such time, with any remaining amounts applied in accordance with Section 2.15 hereof and the Percentages held by such Non-Consenting Lenders shall be reallocated to the Consenting Lenders (giving effect to any assignments, as aforesaid), pro rata, based on the Percentages then in effect and Agent shall distribute to the remaining Lenders a revised Schedule 1.1 reflecting such reallocated Percentages.

2.17 Application of Advances. Advances of the Revolving Credit (including Swing Line Advances) shall be available, subject to the terms hereof, to fund working capital needs, or other general corporate purposes of the Company and the Permitted Borrowers.

### 3. LETTERS OF CREDIT.

3.1 Letters of Credit. Subject to the terms and conditions of this Agreement, Agent shall through the Issuing Office, at any time and from time to time from and after the date hereof until thirty (30) days prior to the Revolving Credit Maturity Date, upon the written request of an Account Party(ies) accompanied by a duly executed Letter of Credit Agreement and such other documentation related to the requested Letter of Credit as the Agent may require, issue Letters of Credit for the account of such Account Party(ies), in an aggregate amount for all Letters of Credit issued hereunder at any one time outstanding not to exceed the Letter of Credit Maximum Amount. Each Letter of Credit shall be in a minimum face amount of Five Hundred Thousand Dollars (\$500,000) and each Letter of Credit (including any renewal thereof) shall expire on the earlier to occur of (x) 1 year from the date of issuance and (y) not later than ten (10) Business Days prior to the Revolving Credit Maturity Date in effect on the date of issuance thereof. The submission of all applications in respect of and the issuance of each Letter of Credit hereunder shall be subject in all respects to the Uniform Customs and Practices for Documentary Credits of the International Chamber of Commerce, 1993 Revisions, ICC Publication No. 500, or, if applicable, ISP 98, and any successor documentation thereto, as selected by the Agent. In the event of any conflict between this Agreement and any Letter of Credit Document other than a Letter of Credit, this Agreement shall control.

3.2 Conditions to Issuance. No Letter of Credit shall be issued at the request and for the account of any Account Party(ies) unless, as of the date of issuance of such Letter of Credit:

- (a) the face amount of the Letter of Credit requested (based on the Dollar Amount of the undrawn portion of any Letter of Credit denominated in Dollars and the Current Dollar Equivalent of the undrawn portion of any Letter of Credit denominated in any Alternative Currency), plus the face amount of all other Letters of Credit of all Account Parties requested on such date, plus the aggregate undrawn portion of all other Letters of Credit of all Account Parties as of such date, plus the face amount of all Letters of Credit of all Account Parties requested but not yet issued as of such date, plus the unreimbursed amount of any draws under Letters of Credit of all Account Parties (in each case, determined as aforesaid), does not exceed the Letter of Credit Maximum Amount;
- (b) the face amount of the Letter of Credit requested, plus the face amount of all other Letters of Credit of all Account Parties requested on such date, plus the aggregate undrawn portion of all other Letters of Credit of all Account Parties as of such date, plus the face amount of all Letters of Credit of all Account Parties requested but not yet issued as of such date, plus the unreimbursed amount of any drawings under Letters of Credit of all Account Parties as of such date, (in each case determined as aforesaid), plus the aggregate principal amount of all Advances outstanding under the Revolving Credit and the Swing Line, including any Advances requested to be made on such date (determined on the basis of the Current Dollar Equivalent of any Advances denominated in any Alternative Currency, and the Dollar Amount of any Advances in Dollars), do not exceed the then applicable Revolving Credit Aggregate Commitment;
- (c) whenever the Account Party is a Permitted Borrower, the face amount of the Letter of Credit requested by such Permitted Borrower, plus the face amount of all other Letters of Credit requested by such Permitted Borrower on such date, plus the aggregate undrawn portion of all other outstanding Letters of Credit issued for the account of such Permitted Borrower (in each case determined as aforesaid), plus the unreimbursed amount of any drawings under Letters of Credit (using the Current Dollar Equivalent thereof for any such Letters of Credit denominated in any Alternative Currency) issued for the account of such Permitted Borrower, plus the aggregate outstanding principal amount of all Advances of the Revolving Credit and of the Swing Line to such Permitted Borrower, including any Advances requested to be made on such date (in each case determined as aforesaid), do not exceed the applicable Permitted Borrower Sublimit;
- (d) whenever the Account Party is a Permitted Borrower, it shall not be entitled to request a Letter of Credit hereunder until it has complied in all respects with the provisions of Section 2.1(a) or (b) hereof, as applicable;
- (e) the obligations of Company and the Guarantors set forth in this Agreement and the other Loan Documents are valid, binding and enforceable obligations of Company and Guarantors and the valid, binding and enforceable nature of this



Agreement and the other Loan Documents has not been disputed by Company or the Guarantors;

- (f) the representations and warranties contained in this Agreement and the other Loan Documents are true in all material respects as if made on such date, and both immediately before and immediately after issuance of the Letter of Credit requested, no Default or Event of Default exists;
- (g) the execution of the Letter of Credit Agreement with respect to the Letter of Credit requested will not violate the terms and conditions of any contract, agreement or other borrowing of the relevant Account Party;
- (h) the Account Party requesting the Letter of Credit shall have delivered to Agent at its Issuing Office, not less than three (3) Business Days prior to the requested date for issuance (or such shorter time as the Agent, in its sole discretion, may permit), the Letter of Credit Agreement related thereto, together with such other documents and materials as may be required pursuant to the terms thereof, and the terms of the proposed Letter of Credit shall be satisfactory to Agent;
- (i) no order, judgment or decree of any court, arbitrator or governmental authority shall purport by its terms to enjoin or restrain Agent from issuing the Letter of Credit requested, or any Lender from taking an assignment of its Percentage thereof pursuant to Section 3.6 hereof, and no law, rule, regulation, request or directive (whether or not having the force of law) shall prohibit or request that Agent refrain from issuing, or any Lender refrain from taking an assignment of its Percentage of, the Letter of Credit requested or letters of credit generally;
- (j) there shall have been no introduction of or change in the interpretation of any law or regulation that would make it unlawful or unduly burdensome for the Agent to issue or any Lender to take an assignment of its Percentage of the requested Letter of Credit, no suspension of or material limitation on trading on the New York Stock Exchange or any other national securities exchange, no declaration of a general banking moratorium by banking authorities in the United States, Michigan or the respective jurisdictions in which the Lenders, the applicable Account Party and the beneficiary of the requested Letter of Credit are located, and no establishment of any new restrictions on transactions involving letters of credit or on banks materially affecting the extension of credit by banks; and
- (k) Agent shall have received the issuance fees required in connection with the issuance of such Letter of Credit pursuant to Section 3.4 hereof.

Each Letter of Credit Agreement submitted to Agent pursuant hereto shall constitute the certification by the Company and any other Account Party of the matters set forth in Section 3.2 (a) through (g) hereof. The Agent shall be entitled to rely on such certification without any duty of inquiry.

3.3 Notice. Agent shall give notice, substantially in the form attached as Exhibit F, to each Lender of the issuance of each Letter of Credit, not later than three (3) Business Days after

issuance of each Letter of Credit, specifying the amount thereof and the amount of such Lender's Percentage thereof.

3.4 Letter of Credit Fees. Company shall pay to the Agent for distribution to the Lenders in accordance with their Percentages, letter of credit fees as follows:

- (a) A non-refundable per annum letter of credit fee with respect to the undrawn amount of each Letter of Credit issued pursuant hereto (based on the Dollar Amount of any Letters of Credit denominated in Dollars and the Current Dollar Equivalent of any Letters of Credit denominated in any Alternative Currency) in the amount of the Applicable Fee Percentage (determined with reference to Schedule 4.1 to this Agreement).
- (b) A letter of credit facing fee in the amount specified in the Fee Letter to be retained by Agent for its own Account.
- (c) If any change in any law or regulation or in the interpretation thereof by any court or administrative or governmental authority charged with the administration thereof shall either (i) impose, modify or cause to be deemed applicable any reserve, special deposit, limitation or similar requirement against letters of credit issued or participated in by, or assets held by, or deposits in or for the account of, Agent or any Lender or (ii) impose on Agent or any Lender any other condition regarding this Agreement, the Letters of Credit or any participations in such Letters of Credit, and the result of any event referred to in clause (i) or (ii) above shall be to increase the cost or expense to Agent or such Lender of issuing or maintaining or participating in any of the Letters of Credit (which increase in cost or expense shall be determined by the Agent's or such Lender's reasonable allocation of the aggregate of such cost increases and expenses resulting from such events), then, upon demand by the Agent or such Lender, as the case may be, the Company shall, within thirty (30) days following demand for payment, pay to Agent or such Lender, as the case may be, from time to time as specified by the Agent or such Lender, additional amounts which shall be sufficient to compensate the Agent or such Lender for such increased cost and expense, together with interest on each such amount from ten days after the date demanded until payment in full thereof at the Prime-based Rate. A certificate as to such increased cost or expense incurred by the Agent or such Lender, as the case may be, as a result of any event mentioned in clause (i) or (ii) above, submitted to the Company, shall be conclusive evidence, absent manifest error, as to the amount thereof.
- (d) All payments by the Company or the Permitted Borrowers to the Agent or the Lenders under this Section 3.4 shall be made in Dollars and in immediately available funds at the Issuing Office or such other office of the Agent as may be designated from time to time by written notice to the Company and the Permitted Borrowers by the Agent. The fees described in clause (a) and (b) above shall be nonrefundable under all circumstances, shall be payable quarterly in advance (or such lesser period, if applicable, for Letters of Credit issued with stated expiration dates of less than three months) upon the issuance of each such Letter of Credit,

and shall be calculated on the basis of a 360 day year and assessed (on a quarterly basis as aforesaid) as of the beginning of each quarter as of which such Letter of Credit is outstanding commencing on the date of issuance thereof, for the actual number of days from the beginning of such quarter to the earlier of the beginning of the next quarter or the stated expiration thereof.

3.5 Other Fees. In connection with the Letters of Credit, and in addition to the Letter of Credit Fees, the Company and any other applicable Account Party(ies) shall pay, for the sole account of the Agent, standard documentation, administration, payment and cancellation charges assessed by Agent or the Issuing Office, at the times, in the amounts and on the terms set forth or to be set forth from time to time in the standard fee schedule of the Issuing Office in effect from time to time and delivered to the relevant Account Party(ies).

### 3.6 Drawings and Demands for Payment Under Letters of Credit.

- (a) The Company and each other applicable Account Party agree to pay to the Agent, on the day on which the Agent shall honor a draft or other demand for payment presented or made under any Letter of Credit, an amount equal to the amount paid by the Agent in respect of such draft or other demand under such Letter of Credit and all expenses paid or incurred by the Agent relative thereto. Unless the Company or the other applicable Account Party shall have made such payment to the Agent on such day, upon each such payment by the Agent, the Agent shall be deemed to have disbursed to the Company or the other applicable Account Party, and the Company or the other applicable Account Party shall be deemed to have elected to substitute for its reimbursement obligation, with respect to Letters of Credit denominated in Dollars, a Prime-based Advance of the Revolving Credit and, with respect to Letters of Credit denominated in any Alternative Currency, a Eurocurrency-based Advance of the Revolving Credit in the applicable Alternative Currency with an Interest Period, commencing three (3) Business Days following the date of Agent's payment pursuant to the applicable Letter of Credit, of one month (or, if unavailable, such other Interest Period as selected by Agent in its sole discretion), in each case for the account of the Lenders in an amount equal to the amount so paid by the Agent in respect of such draft or other demand under such Letter of Credit. Such Prime-based Advance or Eurocurrency-based Advance shall be deemed disbursed notwithstanding any failure to satisfy any conditions for disbursement of any Advance set forth in Section 2 hereof and, to the extent of the Advances so disbursed, the reimbursement obligation of the Company or the other applicable Account Party under this Section 3.6 shall be deemed satisfied, provided that, with respect to any such Eurocurrency-based Advance deemed to have been made hereunder, Company or the applicable Permitted Borrower shall also be obligated to pay to the Agent, for Agent's sole account, interest on the aggregate amount paid by the Agent under the applicable draft or other demand for payment at Agent's aggregate marginal cost (including the cost of maintaining any required reserves or deposit insurance and of any fees, penalties, overdraft charges or other costs or expenses incurred by Agent as a result of such failure to deliver funds hereunder) of carrying such amount plus the Applicable Margin then in effect for Eurocurrency-based Advances, from the date

of Agent's payment pursuant to any Letter of Credit to the date of the commencement of the Interest Period for the applicable Eurocurrency-based Advance deemed to have been made, as aforesaid, such interest (the "Gap Interest") to be due and payable on the last day of the initial Interest Period established for such deemed Advance.

- (b) If the Agent shall honor a draft or other demand for payment presented or made under any Letter of Credit, the Agent shall provide notice thereof to the Company and the other applicable Account Party on the date such draft or demand is honored, and to each Lender on such date unless the Company or other applicable Account Party shall have satisfied its reimbursement obligation under Section 3.6(a) hereof by payment to the Agent on such date. The Agent shall further use reasonable efforts to provide notice to the Company or other applicable Account Party prior to honoring any such draft or other demand for payment, but such notice, or the failure to provide such notice, shall not affect the rights or obligations of the Agent with respect to any Letter of Credit or the rights and obligations of the parties hereto, including without limitation the obligations of the Company or other applicable Account Party under Section 3.6(a) hereof.
- (c) Upon issuance by the Agent of each Letter of Credit hereunder, each Lender shall automatically acquire a pro rata participation interest in such Letter of Credit and each related Letter of Credit Payment based on its respective Percentage. Each Lender, on the date a draft or demand under any Letter of Credit is honored (or the next succeeding Business Day if the notice required to be given by Agent to the Lenders under Section 3.6(b) hereof is not given to the Lenders prior to 2:00 p.m. (Detroit time) on such date of draft or demand) or three (3) Business Days thereafter in respect of draws or demands under Letters of Credit issued in any Alternative Currency, shall make its Percentage of the amount paid by the Agent, and not reimbursed by the Company or other applicable Account Party on such day, available in the applicable Permitted Currency and in immediately available funds at the principal office of the Agent for the account of the Agent. If and to the extent such Lender shall not have made such pro rata portion available to the Agent, such Lender, the Company and any other applicable Account Party severally agree to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date such amount was paid by the Agent until such amount is so made available to the Agent at a per annum rate equal to the interest rate applicable during such period to the related Advance deemed to have been disbursed under Section 3.6(a) in respect of the reimbursement obligation of the Company and any other applicable Account Party, as set forth in Section 2.4(c)(i) or 2.4(c)(ii) hereof, as the case may be. If such Lender shall pay such amount to the Agent together with such interest, such amount so paid shall be deemed to constitute an Advance by such Lender disbursed in respect of the reimbursement obligation of the Company or other applicable Account Party under Section 3.6(a) hereof for purposes of this Agreement, effective as of the dates applicable under said Section 3.6(a). The failure of any Lender to make its pro rata portion of any such amount paid by the Agent available to the Agent shall not relieve any other Lender of its obligation to

make available its pro rata portion of such amount, but no Lender shall be responsible for failure of any other Lender to make such pro rata portion available to the Agent. Furthermore, in the event of the failure by Company or the Permitted Borrowers to pay the Gap Interest required under the proviso to Section 3.6(a) hereof, each of the Lenders shall pay to Agent, within one Business Day following receipt from Agent of written request therefor, its pro rata portion of said Gap Interest, excluding any portion thereof attributable to the Applicable Margin.

Notwithstanding the foregoing however, no Lender shall acquire a pro rata risk participation in a Letter of Credit or related Letter of Credit Payment if the Agent had obtained actual knowledge that an Event of Default had occurred and was continuing at the time of the issuance of such Letter of Credit; provided, however that each Lender shall acquire a pro rata risk participation in such Letter of Credit and the related Letter of Credit Payment upon the date on which such Event of Default is waived by the Required Lenders or all Lenders, as applicable.

- (d) Nothing in this Agreement shall be construed to require or authorize any Lender to issue any Letter of Credit, it being recognized that the Agent shall be the sole issuer of Letters of Credit under this Agreement.

3.7 Obligations Irrevocable. The obligations of Company and any other Account Party to make payments to Agent or the Lenders with respect to Letter of Credit Obligations under Section 3.6 hereof, shall be unconditional and irrevocable and not subject to any qualification or exception whatsoever, including, without limitation:

- (a) Any lack of validity or enforceability of any Letter of Credit or any documentation relating to any Letter of Credit or to any transaction related in any way to any Letter of Credit (the "Letter of Credit Documents");
- (b) Any amendment, modification, waiver, consent, or any substitution, exchange or release of or failure to perfect any interest in collateral or security, with respect to or under any of the Letter of Credit Documents;
- (c) The existence of any claim, setoff, defense or other right which the Company or any other Account Party may have at any time against any beneficiary or any transferee of any Letter of Credit (or any persons or entities for whom any such beneficiary or any such transferee may be acting), the Agent or any Lender or any other person or entity, whether in connection with any of the Letter of Credit Documents, the transactions contemplated herein or therein or any unrelated transactions;
- (d) Any draft or other statement or document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;
- (e) Payment by the Agent to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of such Letter of

Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit;

- (f) Any failure, omission, delay or lack on the part of the Agent or any Lender or any party to any of the Letter of Credit Documents to enforce, assert or exercise any right, power or remedy conferred upon the Agent, any Lender or any such party under this Agreement, any of the other Loan Documents or any of the Letter of Credit Documents, or any other acts or omissions on the part of the Agent, any Lender or any such party; or
- (g) Any other event or circumstance that would, in the absence of this Section 3.7, result in the release or discharge by operation of law or otherwise of Company or any other Account Party from the performance or observance of any obligation, covenant or agreement contained in Section 3.6 hereof.

No setoff, counterclaim, reduction or diminution of any obligation or any defense of any kind or nature which Company or any other Account Party has or may have against the beneficiary of any Letter of Credit shall be available hereunder to Company or any other Account Party against the Agent or any Lender. Nothing contained in this Section 3.7 shall be deemed to prevent Company or the other Account Parties, after satisfaction in full of the absolute and unconditional obligations of Company and any other Account Parties hereunder, from asserting in a separate action any claim, defense, set off or other right which they (or any of them) may have against Agent or any Lender.

3.8 Risk Under Letters of Credit. (a) In the administration and handling of Letters of Credit and any security therefor, or any documents or instruments given in connection therewith, Agent shall have the sole right to take or refrain from taking any and all actions under or upon the Letters of Credit.

- (b) Subject to other terms and conditions of this Agreement, Agent shall issue the Letters of Credit and shall hold the documents related thereto in its own name and shall make all collections thereunder and otherwise administer the Letters of Credit in accordance with Agent's regularly established practices and procedures and, except pursuant to Section 12.3 hereof, Agent will have no further obligation with respect thereto. In the administration of Letters of Credit, Agent shall not be liable for any action taken or omitted on the advice of counsel, accountants, appraisers or other experts selected by Agent with due care and Agent may rely upon any notice, communication, certificate or other statement from Company, any Account Party, beneficiaries of Letters of Credit, or any other Person which Agent believes to be authentic. Agent will, upon request, furnish the Lenders with copies of Letter of Credit Agreements, Letters of Credit and documents related thereto.
- (c) In connection with the issuance and administration of Letters of Credit and the assignments hereunder, Agent makes no representation and shall have no responsibility with respect to (i) the obligations of Company or any Account Party or the validity, sufficiency or enforceability of any document or instrument given

in connection therewith, or the taking of any action with respect to same, (ii) the financial condition of, any representations made by, or any act or omission of, Company, any other applicable Account Party or any other Person, or (iii) any failure or delay in exercising any rights or powers possessed by Agent in its capacity as issuer of Letters of Credit in the absence of its gross negligence or willful misconduct. Each of the Lenders expressly acknowledges that they have made and will continue to make their own evaluations of Company's and the Account Parties' creditworthiness without reliance on any representation of Agent or Agent's officers, agents and employees.

- (d) If at any time Agent shall recover any part of any unreimbursed amount for any draw or other demand for payment under a Letter of Credit, or any interest thereon, Agent shall receive same for the pro rata benefit of the Lenders in accordance with their respective Percentages and shall promptly deliver to each Lender its share thereof, less such Lender's pro rata share of the costs of such recovery, including court costs and attorney's fees. If at any time any Lender shall receive from any source whatsoever any payment on any such unreimbursed amount or interest thereon in excess of such Lender's Percentage of such payment, such Lender will promptly pay over such excess to Agent, for redistribution in accordance with this Agreement.

3.9 Indemnification. (a) The Company and each other Account Party hereby indemnifies and agrees to hold harmless the Lenders and the Agent, and their respective officers, directors, employees and agents, from and against any and all claims, damages, losses, liabilities, costs or expenses of any kind or nature whatsoever which the Lenders or the Agent or any such person may incur or which may be claimed against any of them by reason of or in connection with any Letter of Credit, and neither any Lender nor the Agent or any of their respective officers, directors, employees or agents shall be liable or responsible for: (i) the use which may be made of any Letter of Credit or for any acts or omissions of any beneficiary in connection therewith; (ii) the validity, sufficiency or genuineness of documents or of any endorsement thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) payment by the Agent to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of any Letter of Credit (unless such payment resulted from the gross negligence or willful misconduct of the Agent); (iv) any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit; or (v) any other event or circumstance whatsoever arising in connection with any Letter of Credit; provided, however, that Company and any other Account Parties shall not be required to indemnify the Lenders and the Agent and such other persons, and the Agent shall be liable to the Company and any other Account Parties to the extent, but only to the extent, of any direct, as opposed to consequential or incidental, damages suffered by Company and any other Account Parties which were caused by the Agent's gross negligence, willful misconduct or wrongful dishonor of any Letter of Credit after the presentation to it by the beneficiary thereunder of a draft or other demand for payment and other documentation strictly complying with the terms and conditions of such Letter of Credit.

- (b) It is understood that in making any payment under a Letter of Credit the Agent will rely on documents presented to it under such Letter of Credit as to any and all matters set forth therein without further investigation and regardless of any notice or information to the contrary. It is further acknowledged and agreed that Company or other Account Party may have rights against the beneficiary or others in connection with any Letter of Credit with respect to which Agent or the Lenders are alleged to be liable and it shall be a condition of the assertion of any liability of Agent or the Lenders by the Company or any other Account Party under this Section that Company or the other applicable Account Party shall contemporaneously pursue all remedies in respect of the alleged loss against such beneficiary and any other parties obligated or liable in connection with such Letter of Credit and any related transactions.

3.10 Right of Reimbursement. Each Lender agrees to reimburse the Agent on demand, pro rata in accordance with its respective Percentage, for (i) the reasonable out-of-pocket costs and expenses of the Agent to be reimbursed by Company or any other Account Party pursuant to any Letter of Credit Agreement or any Letter of Credit, to the extent not reimbursed by Company or any other Account Party and (ii) any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, fees, reasonable out-of-pocket expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against Agent (in its capacity as issuer of any Letter of Credit) in any way relating to or arising out of this Agreement, any Letter of Credit, any documentation or any transaction relating thereto, or any Letter of Credit Agreement, to the extent not reimbursed by Company or any Account Party, except to the extent that such liabilities, losses, costs or expenses were incurred by Agent as a result of Agent's gross negligence or willful misconduct or by the Agent's wrongful dishonor of any Letter of Credit after the presentation to it by the beneficiary thereunder of a draft or other demand for payment and other documentation strictly complying with the terms and conditions of such Letter of Credit.

3.11 Existing Letters of Credit. Each Existing Letter of Credit shall be deemed for all purposes of this Agreement to be a Letter of Credit, and each application or other documentation submitted in connection with each Existing Letter of Credit shall be deemed for all purposes of this Agreement to be a Letter of Credit Agreement. On the date of execution of this Agreement, the Agent shall be deemed automatically to have sold and transferred, and each other Lender shall be deemed automatically, irrevocably, and unconditionally to have purchased and received from the Agent, without recourse or warranty, an undivided interest and participation (on the terms set forth herein), to the extent of such other Lender's Percentage, in each Existing Letter of Credit and the applicable Letter of Credit Obligations with respect thereto and any security therefor or guaranty pertaining thereto. Letter of Credit Fees paid under the Prior Credit Agreement shall not be recalculated, redistributed or reallocated by Agent to the Lenders; provided that the Company shall pay to any new Lenders becoming parties hereto on the Effective Date (or any existing Lender increasing its Percentage on such date) a special letter of credit fee on the Existing Letters of Credit, calculated on the basis of the Letter of Credit Fees which would be applicable to such Existing Letters of Credit if issued on the Effective Date (but in the case of any existing Lender, computed only to the extent of the applicable increase in its Percentage) for the period from the Effective Date to the expiration date of such Existing Letters of Credit.



#### 4. MARGIN ADJUSTMENTS.

4.1 Margin Adjustments. Adjustments to the Applicable Margin and the Applicable Fee Percentages, based on Schedule 4.1, shall be implemented on a quarterly basis as follows: such adjustments shall be given prospective effect only, effective as to all Advances outstanding hereunder and as to each Applicable Fee Percentage, upon the date of delivery of the financial statements under Sections 7.3(b) and 7.3(c) hereunder, in each case establishing applicability of the appropriate adjustment, in each case with no retroactivity or claw-back.

4.2 Margins. In the event Company fails timely to deliver the financial statements required under Section 7.3(b) or 7.3(c), then from the date delivery of such financial statements was required until such financial statements are delivered, the margins and fee percentages shall be at the highest level on the Pricing Matrix attached to this Agreement as Schedule 4.1.

#### 5. CONDITIONS.

The obligations of Lenders to make Advances or to issue Letters of Credit, pursuant to this Agreement are subject to the following conditions, provided however that Sections 5.1 through 5.9 below shall only apply to the initial Advances or Letters of Credit hereunder:

5.1 Execution of this Agreement and the other Loan Documents. The Company and the Permitted Borrowers shall have executed and delivered to the Agent for the account of each Lender, this Agreement (including all schedules, exhibits, certificates, opinions, financial statements and other documents to be delivered pursuant hereto) and the other Loan Documents, and, this Agreement and the other Loan Documents shall be in full force and effect.

5.2 Corporate Authority. Agents shall have received (i) certified copies of resolutions of the Board of Directors of the Company, the Permitted Borrowers, Vishay Asia and each of the Significant Subsidiaries party to any Loan Document evidencing approval of the form of this Agreement and each of the other Loan Documents to which such Person is a party and authorizing the execution and delivery thereof and, if applicable, the borrowing of Advances and requesting of Letters of Credit hereunder; (ii) (A) certified copies of the Company's, the Permitted Borrowers, Vishay Asia and the Significant Subsidiaries' articles of incorporation and bylaws or other constitutional documents certified as true and complete as of a recent date by the appropriate official of the jurisdiction of incorporation of each such entity (or, if unavailable in such jurisdiction, by a responsible officer of such entity); and (B) a certificate of good standing from the state or other jurisdictions of the Company's incorporation, and from the applicable states of incorporation or other jurisdictions of the Permitted Borrowers, Vishay Asia, the Significant Subsidiaries and from every state or other jurisdiction in which the Company, the Permitted Borrowers, Vishay Asia or any of such Significant Subsidiaries is qualified to do business, if issued by such jurisdictions, subject to the limitations (as to qualification and authorization to do business) contained in Section 6.1, hereof.

#### 5.3 Collateral Documents and Guaranties.

- (a) The Agent shall have received the Domestic Guaranty, an amended and restated Pledge Agreement (pledging the share capital of each of the Significant Domestic Subsidiaries) executed by the Company and certain of the Significant Domestic

Subsidiaries as well as stock certificates and blank stock powers for all shares subject to such Pledge Agreement;

- (b) The Agent shall have received a Reaffirmation of Certain Loan Documents or such new or updated Pledge Agreements and/or Guaranties as the Agent determines necessary executed by the Foreign Permitted Borrowers, Vishay Asia and the other Significant Foreign Subsidiaries in connection with those Pledge Agreements and the Foreign Guaranties as previously executed and delivered to Agent; and
- (c) Company and each of the Significant Domestic Subsidiaries shall have previously executed and delivered the Security Agreement or joined thereto and any documents (including, without limitation, financing statements, amendments to financing statements and assignments of financing statements) required to be filed in connection with the Security Agreement to create, in favor of the Agent (for and on behalf of the Lenders), a perfected security interest in the Collateral thereunder shall have been delivered to the Agent in a proper form for filing in each office in each jurisdiction listed in Schedule 5.3, or other office, as the case may be; provided, however, (i) that the Company shall have a period of ninety days following the Effective Date to deliver, or cause to be delivered, documentation satisfactory to the Agent to perfect the security interest and lien in patents, trademarks and other intellectual property and proprietary rights, and (ii) that the Company shall have a period of thirty days following the Effective Date to deliver, or cause to be delivered, the joinders of Vishay Infrared Components, Inc., Vishay Cera-mite, Inc., Vishay BLH, Inc., and Vishay Transducers Ltd. to the Security Agreement and any related documents required to perfect a security interest in the Collateral thereunder.

5.4 Representations and Warranties -- All Parties. The representations and warranties made by the Company, each of the Significant Subsidiaries or any other party to any of the Loan Documents under this Agreement or any of the other Loan Documents (excluding the Agents and the Lenders), and the representations and warranties of any of the foregoing which are contained in any certificate, document or financial or other statement furnished at any time hereunder or thereunder or in connection herewith or therewith shall have been true and correct in all material respects when made and shall be true and correct in all material respects on and as of the date of the making of the initial Advance hereunder.

5.5 Compliance with Certain Documents and Agreements. The Company and the Significant Subsidiaries (and any of their respective Subsidiaries or Affiliates) shall have each performed and complied with all agreements and conditions contained in this Agreement, the other Loan Documents, or any agreement or other document executed hereunder or thereunder and required to be performed or complied with by each of them (as of the applicable date) and none of such parties shall be in default in the performance or compliance with any of the terms or provisions hereof or thereof.

5.6 Opinion of Counsel. The Company, the Permitted Borrowers and the Significant Subsidiaries, to the extent applicable, shall furnish the opinions of counsel listed on Schedule 5.6

hereto, such opinions to be substantially in the form of the opinions of counsel previously delivered under the Prior Credit Agreement, with such changes as shall be acceptable to Agent.

5.7 Certificates. The Agent shall have received a the following certificates: (a) a certificate of an Authorized Officer, dated the date of the making of the initial Advances or the issuance of the initial Letters of Credit hereunder stating that the conditions of paragraphs 5.4, 5.5, 5.9, and 5.11 hereof have been fully satisfied, (b) casualty and liability insurance certificates for the Company and each Significant Domestic Subsidiary in form and substance acceptable to the Agent, and (c) insurance disclosure certificates for the Company and each Significant Domestic Subsidiary in form and substance acceptable to the Agent.

5.8 Payment of Agent's and Other Fees. Company shall have paid to Agent, for distribution to the Lenders under the Prior Credit Agreement (based on the Percentages in effect under the Prior Credit Agreement) the Facility Fee accrued under the Prior Credit Agreement to the Effective Date of this Agreement. In addition, Company shall have paid to the Agents (for Agents' sole accounts), the Agent's Fees and all costs and expenses required hereunder, and any related Letter of Credit Fees as required under Section 3.11 hereof.

5.9 New Convertible Subordinated Debt. The Additional Debt Issuance Date shall have occurred and the Company shall have received the proceeds of the New Convertible Subordinated Debt in an amount not less than \$400,000,000, and in connection therewith, the Company shall have delivered to Agent copies of any documents related thereto which the Agent may reasonably request, including copies of all notices for prepayment or redemption issued in order for the Company to prepay or redeem the outstanding General Semiconductor Notes.

5.10 Other Documents and Instruments. The Agents shall have received, with a photocopy for each Lender, such other instruments and documents as the Required Lenders may reasonably request in writing in connection with the making of Advances or the issuing of any Letters of Credit hereunder, and all such instruments and documents shall be satisfactory in form and substance to the Agents and the Required Lenders.

5.11 Continuing Conditions. The obligations of the Lenders to make any of the Advances or loans or of the Agent to issue any Letters of Credit under this Agreement, including but not limited to the initial Advances of the Revolving Credit or the Swing Line hereunder, shall be subject to the following continuing conditions:

- (a) No Default or Event of Default shall have occurred and be continuing as of the making of the proposed Advance (both before and after giving effect thereto);
- (b) The representations and warranties contained in this Agreement and the other Loan Documents are true and correct in all material respects as of the making of the applicable Advance; and
- (c) There shall have been no material adverse change in the condition (financial or otherwise), properties, business, results or operations of the Company and its Subsidiaries (taken as a whole) from December 31, 2002 (or any subsequent December 31st, if the Agent determines, with the concurrence of the Required Lenders, based on the Company's financial statements for such subsequent fiscal

year that no material adverse change has occurred during such year, such determination being made solely for purposes of determining the applicable date under this paragraph) to the date of the proposed Advance hereunder.

## 6. REPRESENTATIONS AND WARRANTIES

Company and the Permitted Borrowers represent and warrant and such representations and warranties as applicable shall be deemed to be continuing representations and warranties during the entire life of this Agreement:

6.1 Corporate Existence. The Company and each of the Significant Subsidiaries is duly organized and validly existing in good standing under the laws of the applicable jurisdiction of organization, charter or incorporation; the Company and each of the Significant Subsidiaries is duly qualified and authorized to do business in each jurisdiction where the character of its assets or the nature of its activities makes such qualification necessary, except where such failure to qualify and be authorized to do business will not have a material adverse impact on the Company and its Subsidiaries, taken as a whole.

6.2 Due Authorization -- Company. Execution, delivery and performance of this Agreement, the other Loan Documents, and any other documents and instruments required under or in connection with this Agreement, and extensions of credit to the Company are within its corporate or other organizational powers, have been duly authorized, are not in contravention of law or the terms of the Company's certificate of incorporation or bylaws or other organic documents, and, except as have been previously obtained or as referred to in Section 6.15, below, do not require the consent or approval, material to the transactions contemplated by this Agreement, or the Loan Documents, of any governmental body, agency or authority.

6.3 Due Authorization -- Significant Subsidiaries. Execution, delivery and performance of this Agreement, the other Loan Documents, and any other documents and instruments required under or in connection with this Agreement by each of the Significant Subsidiaries, and extensions of credit to Permitted Borrowers, are (or will be, on the applicable date of delivery of such Loan Documents) within their respective corporate or other organizational powers, have been (or will be, as aforesaid) duly authorized, are not (or will not be, as aforesaid) in contravention of law or the terms of their articles of incorporation or bylaws or other organic documents of the parties thereto, as applicable, and, except as have been previously obtained (or as referred to in Section 6.15, below), do not (or will not, as aforesaid) require the consent or approval, material to the transactions contemplated by this Agreement, or the other Loan Documents, of any governmental body, agency or authority.

6.4 Title to Material Property. Each of the Company and each of the Significant Subsidiaries has good and valid title to the property owned by it, which property (individually or in the aggregate) is material to the business or operations of the Company and its Subsidiaries, taken as a whole, excluding imperfections in title not material to the ownership, use and/or enjoyment of any such property.

6.5 Encumbrances. There are no security interests in, Liens, mortgages or other encumbrances on and no financing statements on file with respect to any property of Company or any of the Subsidiaries, except for those Liens permitted under Section 8.5 hereof.

6.6 Subsidiaries. As of the Effective Date, there are no directly or indirectly owned Subsidiaries of the Company, except for those Subsidiaries identified in Schedule 6.6, attached hereto.

6.7 Taxes. The Company and its Subsidiaries each has filed on or before their respective due dates, all federal, state and foreign tax returns which are required to be filed or has obtained extensions for filing such tax returns and is not delinquent in filing such returns in accordance with such extensions and has paid all taxes which have become due pursuant to those returns or pursuant to any assessments received by any such party, as the case may be, to the extent such taxes have become due, except (a) where the failure to file tax returns or pay taxes shall not have a material adverse effect on the Company and its Subsidiaries taken as a whole, or (b) to the extent such tax payments are being actively contested in good faith by appropriate proceedings and with respect to which adequate provision has been made on the books of the Company or its Subsidiaries, as applicable, as may be required by GAAP.

6.8 No Defaults. There exists no default under the provisions of any instrument evidencing any permitted Debt of the Company or its Subsidiaries or connected with any of the Permitted Company Encumbrances or the Permitted Encumbrances of the Subsidiaries, or of any agreement relating thereto, except where such default would not have a material adverse effect on the Company and its Subsidiaries taken as a whole and would not violate this Agreement or any of the other Loan Documents according to the terms thereof.

6.9 Compliance with Laws. The Company and its Significant Subsidiaries each has complied with all applicable laws, including without limitation, Hazardous Material Laws, to the extent that failure to comply therewith would materially interfere with the conduct of the business of the Company or any of its Subsidiaries taken as a whole, or would have a material adverse effect upon Company or any of its Subsidiaries taken as a whole, or upon any property (whether personal or real) owned by any of them.

6.10 Enforceability of Agreement and Loan Documents. (a) This Agreement and each of the other Loan Documents to which the Company is a party, including without limitation, all other certificates, agreements and documents executed and delivered by Company under or in connection herewith or therewith have each been duly executed and delivered by duly Authorized Officers of the Company and constitute the valid and binding obligations of the Company, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting the enforcement of creditor's rights generally and by general principles of equity (whether enforcement is sought in a proceeding in equity or at law).

(b) This Agreement and each of the other Loan Documents to which any of the Subsidiaries is a party, and all certificates, documents and agreements executed in connection herewith or therewith by the Subsidiaries have each been duly executed and delivered by duly Authorized Officers of the applicable Subsidiary

and constitute the valid and binding obligations of the Subsidiaries, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (whether enforcement is sought in a proceeding in equity or at law).

6.11 Non-contravention -- Company. The execution, delivery and performance of this Agreement and the other Loan Documents and any other documents and instruments required under or in connection with this Agreement by the Company are not in contravention of the terms of any indenture, material agreement or material undertaking to which the Company is a party or by which it or its properties are bound or affected, except to the extent such terms have been waived or are not material to the transactions contemplated by this Agreement and the other Loan Documents or to the financial performance of the Company and its Subsidiaries, taken as a whole.

6.12 Non-contravention -- Other Parties. The execution, delivery and performance of this Agreement, those other Loan Documents signed by any of the Subsidiaries, and any other documents and instruments required under or in connection with this Agreement by any of the Subsidiaries are not in contravention of the terms of any indenture, material agreement or material undertaking to which any of the Subsidiaries is a party or by which it or its properties are bound or affected, except to the extent such terms have been waived or are not material to the transactions contemplated by this Agreement and the other Loan Documents or to the financial performance of the Company and its Subsidiaries, taken as a whole.

6.13 No Litigation -- Company. There is no suit, action, proceeding, including, without limitation, any bankruptcy proceeding, or governmental investigation pending against or, to the best knowledge of the Company, threatened or otherwise affecting the Company (other than any suit, action or proceeding in which the Company is the plaintiff and in which no counterclaim or cross-claim against Company has been filed), nor has the Company or any of its officers or directors been subject to any suit, action, proceeding or governmental investigation as a result of which any such officer or director is or may be entitled to indemnification by Company, except as otherwise disclosed in Schedule 6.13 attached hereto and except for miscellaneous suits, actions and proceedings which (i) do not have a reasonable likelihood of being adversely determined or (ii) have a reasonable likelihood of being adversely determined but, if resolved adversely to the Company would not in the aggregate have a material adverse effect on the Company and its Subsidiaries, taken as a whole. Except as so disclosed, there is not outstanding against the Company any judgment, decree, injunction, rule, or order of any court, government, department, commission, agency, instrumentality or arbitrator, nor, to the best knowledge of the Company, is the Company in violation of any applicable law, regulation, ordinance, order, injunction, decree or requirement of any governmental body or court where such judgment, decree, injunction, rule, order or violation would have a material adverse effect on the Company and its Subsidiaries, taken as a whole.

6.14 No Litigation -- Other Parties. There is no suit, action, proceeding (other than any suit, action or proceeding in which any such party is the plaintiff and in which no counterclaim or cross-claim against any such party has been filed), including, without limitation,

any bankruptcy proceeding, or governmental investigation pending against or, to the best knowledge of the Company, threatened or otherwise affecting any of the Subsidiaries nor has any such party or any of its officers or directors been subject to any suit, action, proceeding or governmental investigation as a result of which any such officer or director is or may be entitled to indemnification by such party, except as otherwise disclosed in Schedule 6.14 attached hereto and except for miscellaneous suits, actions and proceedings which (i) do not have a reasonable likelihood of being adversely determined, or (ii) have a reasonable likelihood of being adversely determined but, if resolved adversely to such party, would not in the aggregate have a material adverse effect on the Company and its Subsidiaries, taken as a whole. Except as so disclosed, there is not outstanding against any such party any judgment, decree, injunction, rule, or order of any court, government, department, commission, agency, instrumentality or arbitrator nor, to the best knowledge of the Company, is any such party in violation of any applicable law, regulation, ordinance, order, injunction, decree or requirement of any governmental body or court where such judgment, decree, injunction, rule or order or violation would have a material adverse effect on the Company and its Subsidiaries, taken as a whole.

6.15 Consents, Approvals and Filings, Etc. Except as have been previously obtained, no authorization, consent, approval, license, qualification or formal exemption from, nor any filing, declaration or registration with, any court, governmental agency or regulatory authority or any securities exchange or any other person or party (whether or not governmental) is required in connection with the execution, delivery and performance: (i) by the Company, of this Agreement, any of the other Loan Documents to which it is a party, or any other documents or instruments to be executed and/or delivered by the Company in connection therewith or herewith; (ii) by each of the Subsidiaries, of this Agreement, the other Loan Documents to which it is a party or any other documents or instruments to be executed and/or delivered by the Subsidiaries in connection therewith or herewith; and (iii) by Company or any of its Subsidiaries, of the liens, pledges, mortgages, security interests or other encumbrances granted, conveyed or otherwise established (or to be granted, conveyed or otherwise established) by or under this Agreement or other Loan Documents, except for such filings to be made concurrently herewith as are required by the Collateral Documents to perfect liens in favor of the Agent and the Lenders. All such authorizations, consents, approvals, licenses, qualifications, exemptions, filings, declarations and registrations which have previously been obtained or made, as the case may be, are in full force and effect and are not the subject of any attack, or to the knowledge of the Company, threatened attack (in any material respect) by appeal or direct proceeding or otherwise.

6.16 Agreements Affecting Financial Condition. Neither the Company, nor any of its Subsidiaries is, as of the Effective Date, party to any agreement or instrument or subject to any charter or other corporate restriction which materially adversely affects the financial condition or operations of the Company and its Subsidiaries, taken as a whole.

6.17 No Investment Company; No Margin Stock. Neither the Company, nor any of its Subsidiaries is engaged principally, or as one of its important activities, directly or indirectly, in the business of extending credit for the purpose of purchasing or carrying margin stock. None of the Letters of Credit and none of the proceeds of any of the Advances will be used by Company or any of the Subsidiaries to purchase or carry margin stock or will be made available by the Company or any of the Subsidiaries in any manner to any other Person to enable or assist such

Person in purchasing or carrying margin stock. Terms for which meanings are provided in Regulation U of the Board of Governors of the Federal Reserve System or any regulations substituted therefor, as from time to time in effect, are used in this paragraph with such meanings. Neither the Company, nor any of its Subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

6.18 ERISA. Neither a Reportable Event which is material to the Company and its Subsidiaries, taken as a whole, nor an Accumulated Funding Deficiency (herein as defined in Section 412 of the Internal Revenue Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Pension Plan. Each Pension Plan has complied in all material respects with the applicable provisions of ERISA and the Internal Revenue Code and any applicable regulations thereof (and, if applicable, any comparable foreign law provisions), except to the extent that any noncompliance, individually or in the aggregate, would not have a material adverse effect upon the Company and its Subsidiaries, taken as a whole. No termination of a Pension Plan has occurred, and no Lien in favor of the PBGC or a Pension Plan has arisen, during such five-year period. Neither the Company nor any ERISA Affiliate has had a complete or partial withdrawal from any Multiemployer Plan within the five year period prior to the date of this Agreement, nor does the Company or any ERISA Affiliate presently intend to completely or partially withdraw from any Multiemployer Plan. To the best of Company's knowledge, no such Multiemployer Plan is in bankruptcy or reorganization or insolvent. There is no pending or, to the best of Company's knowledge, threatened litigation or investigation questioning the form or operation of any Pension Plan, nor, to the best of the Company's knowledge, is there any basis for any such litigation or investigation which if adversely determined could have a material adverse effect upon the Company and its Subsidiaries, taken as a whole, as of the valuation date most closely preceding the date of this Agreement.

6.19 Environmental Matters and Safety Matters. Except as set forth on Schedule 6.19: (a) The Company and each Subsidiary is in compliance with all federal, state, provincial and local laws, ordinances and regulations relating to safety and industrial hygiene or the environment, including without limitation all applicable Hazardous Materials Laws in jurisdictions in which the Company or any such Subsidiary owns or operates, a facility or site, or arranges for disposal or treatment of Hazardous Materials, solid waste, or other wastes, accepts for transport any Hazardous Materials, solid wastes or other wastes or holds any interest in real property or otherwise, except for matters which, individually or in the aggregate, would not have a material adverse effect upon the financial condition or business of the Company and its Subsidiaries, taken as a whole.

- (b) All federal, state, provincial, local and foreign permits, licenses and authorizations required for present or (to the best of the Company's knowledge) past use of the facilities and other properties or activities of the Company and each Subsidiary have been obtained, are presently in effect, and there is and has been full compliance with all such permits, licenses or authorizations, except, in all cases, where the failure to comply with the foregoing would not have a material adverse effect on the Company and its Subsidiaries taken as a whole.



- (c) No demand, claim, notice, suit (in law or equity), action, administrative action, investigation or inquiry (including, without limitation, the listing of any property by any domestic or foreign governmental entity which identifies sites for remedial, clean-up or investigatory action) whether brought by any governmental authority, private person or entity or otherwise, arising under, relating to or in connection with any applicable Hazardous Materials Laws is pending or, to the best of the Company's knowledge, threatened against the Company or any of its Subsidiaries in connection with any real property in which the Company or any such Subsidiary holds or, to the best of the Company's knowledge, has held an interest or any present or, to the best of the Company's knowledge, past operation of the Company or any such Subsidiary, except for such matters which, individually or in the aggregate, would not have a material adverse effect on the financial condition or business of the Company and its Subsidiaries, taken as a whole.
- (d) Neither the Company nor any of its Subsidiaries whether with respect to present or, to the best of the Company's knowledge, past operations or properties, (i) is, to the best of the Company's knowledge, the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any Hazardous Materials into the environment, (ii) has received any notice of any Hazardous Materials in, or upon any of its properties in violation of any applicable Hazardous Materials Laws, or (iii) knows of any basis for any such investigation or notice under, or the existence of a violation of, Hazardous Materials Laws except for such matters which, individually or in the aggregate, would not have a material adverse effect on the financial condition or business of the Company and its Subsidiaries, taken as a whole.
- (e) No release, threatened release or disposal of Hazardous Materials, solid waste or other wastes is occurring or has occurred on, under or to any real property in which the Company or any of its Subsidiaries holds any interest or performs any of its operations, in violation of any applicable Hazardous Materials Laws, except for any such matters which, individually or in the aggregate, would not have a material adverse effect on the financial condition or business of the Company and its Subsidiaries, taken as a whole.

6.20 Accuracy of Information. Each of the Company's audited or unaudited financial statements furnished to Agents and the Lenders by the Company prior to the date of this Agreement, is complete and correct in all material respects and fairly presents the financial condition of the Company and its Subsidiaries, taken as a whole, and the results of their operations for the periods covered thereby; any projections of operations for future years previously furnished by Company to Agents or the Lenders have been prepared as the Company's good faith estimate of such future operations, taking into account all relevant facts and matters known to Company; since December 31, 2002 there has been no material adverse change in the financial condition of the Company or its Subsidiaries, taken as a whole; neither the Company, nor any of its Subsidiaries has any contingent obligations (including any liability for taxes) not disclosed by or reserved against in the December 31, 2002 balance sheet which is likely to have a material adverse effect on the Company and its Subsidiaries, taken as a whole.

## 7. AFFIRMATIVE COVENANTS

Company and each of the Permitted Borrowers covenants and agrees that it will, and, as applicable, it will cause its Subsidiaries (excluding any Special Purpose Subsidiaries and, for purposes of Section 7.1, any Subsidiary that is not a Significant Subsidiary) to, so long as any of the Lenders are committed to make any Advances or issue any Letters of Credit under this Agreement and thereafter so long as any Indebtedness remains outstanding under this Agreement:

### 7.1 Preservation of Existence, Etc.

Except as otherwise specifically permitted hereunder, preserve and maintain its corporate existence and such of its rights, licenses, and privileges as are material to the business and operations conducted by it; and qualify and remain qualified to do business in each jurisdiction in which such qualification is material to the business and operations or ownership of properties, in each case of the Company and its Subsidiaries, taken as a whole.

7.2 Keeping of Books. Keep proper books of record and account in which full and correct entries shall be made of all of its financial transactions and its assets and businesses so as to permit the presentation of the Consolidated financial statements of the Company prepared in accordance with GAAP.

### 7.3 Reporting Requirements. Furnish Agent with copies for each Lender:

- (a) as soon as possible, and in any event within five (5) calendar days after becoming aware of the occurrence of each Default or Event of Default, a written statement of the chief financial officer of the Company (or in his/her absence, another Authorized Officer of the Company) setting forth details of such Event of Default or event and the action which the Company has taken or has caused to be taken or proposes to take or cause to be taken with respect thereto;
- (b) as soon as available, and in any event within one hundred twenty (120) days after and as of the end of each of Company's fiscal years, a detailed Consolidated audit report of Company certified to by independent certified public accountants satisfactory to Lenders together with an unaudited Consolidating report of Company and its Subsidiaries certified by the chief financial officer of Company (or in his/her absence, another Authorized Officer of the Company) as to consistency (with prior financial reports and accounting periods), accuracy and fairness of presentation, and a Covenant Compliance Report;
- (c) as soon as available, and in any event within sixty (60) days after and as of the end of each of the first three quarters of each year, a Consolidated and Consolidating balance sheet and a statement of profit and loss and surplus reconciliation of Company and its Subsidiaries certified by the chief financial officer of Company (or in his/her absence, another Authorized Officer of the Company) as to consistency (with prior financial reports and accounting periods), accuracy and fairness of presentation, and a Covenant Compliance Report.

- (d) as soon as possible, and in any event within five (5) calendar days after becoming aware (i) of any material adverse change in the financial condition of the Company, any of its Significant Subsidiaries or any of the Permitted Borrowers, a certificate of the chief financial officer of Company (or in his/her absence, another Authorized Officer of the Company) setting forth the details of such change or (ii) of the taking by the Internal Revenue Service or any foreign taxing jurisdiction of a tax position (verbal or written) which could have a material adverse effect upon the Company or any of its Subsidiaries (or any such tax position taken by the Company or any of its Subsidiaries) setting forth the details of such position and the financial impact thereof;
- (e) (i) as soon as available, the Company's 8-K, 10-Q and 10-K Reports filed with the federal Securities and Exchange Commission, and in any event, with respect to the 10-Q Report, within sixty (60) days of the end of each of the Company's fiscal quarters, and with respect to the 10-K Report, within one hundred twenty (120) days after the end of each of Company's fiscal years; and (ii) as soon as available, copies of all filings, reports or other documents filed by the Company or any of its Subsidiaries with the federal Securities and Exchange Commission or, as the Agent may reasonably request, other federal regulatory or taxing agencies or authorities in the United States, or comparable agencies or authorities in England, Canada, France, Germany, the Netherlands or Israel, or any stock exchanges in such jurisdictions;
- (f) promptly as issued, all press releases, notices to shareholders and all other material communications transmitted by the Company or any of its Subsidiaries to the Company's stockholders generally, and promptly following a Permitted Securitization, copies of the principal transaction documents relating to such Permitted Securitization;
- (g) together with the financial statements delivered pursuant to Section 7.3(b) hereof, annual financial projections for the Company and its Significant Subsidiaries covering the period at least through Revolving Credit Maturity Date then in effect and otherwise in form and content reasonably acceptable to the Agent and the Lenders;
- (h) provide Agent (i) within 60 days of the end of each fiscal quarter, with written evidence of the Moody's and S&P rating on the Company's rated Senior Debt, and (ii) with written notice to Agent of any changes in the Moody's or S&P rating on the Company's rated Senior Debt within five (5) days of such change, and if such written notice states that the rating by S&P has fallen below BB+ or the rating by Moody's has fallen below Ba1, such written notice shall be accompanied by an executed copy of the Reaffirmation of Security Agreement in the form attached hereto as Exhibit L if any Liens have been released pursuant to Section 13.21 hereof.

- (i) promptly, and in form reasonably satisfactory to Agent and the requesting Lender or Lenders, such other information as Agent or any of the Lenders (acting through Agent) may request from time to time.

7.4 Tangible Net Worth. Maintain, on a Consolidated basis, as of the last day of each fiscal quarter, beginning with the fiscal quarter ending June 30, 2003, Tangible Net Worth in an amount not less than Eight Hundred Fifty Million Dollars (\$850,000,000), plus the sum of the Net Income Adjustment and the Equity Offering Adjustment.

7.5 Leverage Ratio. Maintain, as of the last day of each fiscal quarter during the periods specified below, a Leverage Ratio of not more than the following amounts during the periods specified below:

Period	Ratio
Effective Date through December 30, 2003	3.50
December 31, 2003 through December 30, 2004	3.25
December 31, 2004 and thereafter	3.00

7.6 Fixed Charge Coverage Ratio. Maintain, as of the last day of each fiscal quarter, a Fixed Charge Coverage Ratio of not less than 2.5 to 1.0.

7.6A Senior Debt Ratio. Maintain, as of the last day of each fiscal quarter ending during the periods specified below, for the four fiscal quarters then ending, a ratio of Senior Debt to Consolidated EBITDA of not more than the following amounts during the periods specified below:

Period	Ratio
Effective Date through December 30, 2003	1.75
December 31, 2003 and thereafter	1.50

7.7 Inspections. Permit Agent and each Lender, through their authorized attorneys, accountants and representatives to examine Company's and each of the Subsidiaries' books, accounts, records, ledgers and assets and properties of every kind and description wherever located at all reasonable times during normal business hours, upon oral or written request of Agent; and permit Agent and each Lender or their authorized representatives, at reasonable times and intervals, to visit all of its offices, discuss its financial matters with its officers and independent certified public accountants, and by this provision Company authorizes such accountants to discuss the finances and affairs of Company and its Subsidiaries (provided that Company is given an opportunity to participate in such discussions) and examine any of its or their books and other corporate records. An examination of the records or properties of Company or any of its Subsidiaries may require revelation of proprietary and/or confidential data and information, and the Agent and each of the Lenders agrees upon request of the inspected party to execute a confidentiality agreement (satisfactory to Agent or the inspecting Lender, as the case may be, and such party) on behalf of the Agent or such inspecting Lender and all parties making such inspections or examinations under its authorization; provided however that such confidentiality agreement shall not prohibit Agent from revealing such information to Lenders or prohibit the inspecting Lender from revealing such information to Agent or another Lender.

7.8 Taxes. Pay and discharge all taxes and other governmental charges, and all material contractual obligations calling for the payment of money, before the same shall become overdue, unless and to the extent only that such payment is being contested in good faith by appropriate proceedings and is adequately reserved for, as may be required by GAAP on its books, or where the failure to pay any such matter would not have a material adverse effect on the Company and its Subsidiaries, taken as a whole.

7.9 Further Assurances. Execute and deliver or cause to be executed and delivered within a reasonable time following Agent's request, and at the Company's expense, such other documents or instruments as Agent may reasonably require to effectuate more fully the purposes of this Agreement or the other Loan Documents.

7.10 Insurance. Maintain insurance coverage on its physical assets and against other business risks in such amounts and of such types as are customarily carried by companies similar in size and nature, and in the event of acquisition of additional property, real or personal, or of occurrence of additional risks of any nature, increase such insurance coverage in such manner and to such extent as prudent business judgment and then current practice would dictate; and with all said policies or copies thereof, including all endorsements thereon and those required hereunder, to be deposited with the Agent. In the case of all policies covering any Collateral, all such insurance policies shall provide that the loss payable thereunder shall be payable to Company and its Domestic Subsidiaries, as applicable, and the Agent for the benefit of the Lenders (Agent as lender loss payee) as their respective interests may appear. Upon the request of Agent or any Lender, certificates evidencing such policies shall be delivered to Agent or such Lender, as the case may be.

7.11 Indemnification. With respect to the Company, indemnify and save each Agent and the Lenders harmless from all reasonable loss, cost, damage, liability or expenses, including reasonable attorneys' fees and disbursements, incurred by each of the Agents and the Lenders by reason of an Event of Default or enforcing the obligations of the Company or the Permitted Borrowers under this Agreement, or the other Loan Documents, or in the prosecution or defense of any action or proceeding concerning any matter growing out of or connected with this Agreement, or any of the other Loan Documents or any mortgage, stock pledge or security agreement released by Agents or the Lenders from time to time hereunder, or relating in any way to the imposition (or attempted imposition) on Agents or Lenders (or any of them) of any liability for the violation of or non-compliance by any Person (or purported violation or

non-compliance) with Hazardous Material Laws, other than in any case resulting from the gross negligence or willful misconduct of Agents or the Lenders; and, with respect to each of the Permitted Borrowers, indemnify and save each Agent and the Lenders harmless from all reasonable loss, cost, damage, liability or expenses, including reasonable attorneys' fees and disbursements, incurred by each of the Agents and the Lenders with respect to a Permitted Borrower by reason of an Event of Default or enforcing the obligations of the Permitted Borrowers under this Agreement, or the other Loan Documents or in the prosecution or defense of any action or proceeding concerning any matter growing out of or connected with this Agreement, or any of the other Loan Documents or any mortgage, stock pledge or security agreement released by Agents or the Lenders from time to time hereunder, or relating in any way to the imposition (or attempted imposition) on Agents or Lenders (or any of them) of any liability for the violation of or non-compliance by any Person (or purported violation or non-

compliance) with Hazardous Material Laws, other than in any case resulting from the gross negligence or willful misconduct of Agents or the Lenders.

7.12 Governmental and Other Approvals. Apply for, obtain and/or maintain in effect, as applicable, all material authorizations, consents, approvals, licenses, qualifications, exemptions, filings, declarations and registrations (whether with any court, governmental agency, regulatory authority, securities exchange or otherwise) which are necessary in connection with the execution, delivery and performance: (i) by the Company, of this Agreement, the Loan Documents, or any other documents or instruments to be executed and/or delivered by the Company in connection therewith or herewith; and (ii) by each of the Significant Subsidiaries, of this Agreement and the Loan Documents.

7.13 Compliance with Contractual Obligations and Laws. Comply in all material respects with all Contractual Obligations, and with all applicable laws, rules, regulations and orders of any governmental authority, whether federal, state, local or foreign (including without limitation Hazardous Materials Laws), in effect from time to time, except to the extent that failure to comply therewith could not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the business, operations, property or financial or other condition of the Company and the Permitted Borrowers and their respective Subsidiaries, taken as a whole, and could not reasonably be expected to materially adversely affect the ability of the Company or any of the Significant Subsidiaries to perform their respective obligations under any of the Loan Documents to which they are a party.

7.14 ERISA. Comply in all material respects with all requirements imposed by ERISA as presently in effect or hereafter promulgated or the Internal Revenue Code (or comparable laws in applicable jurisdictions outside the United States of America relating to foreign pension plans) and promptly notify Lenders upon the occurrence of any of the following events:

- (a) the termination of any Pension Plan pursuant to Subtitle C of Title IV of ERISA or otherwise (other than any defined contribution plan not subject to Section 412 of the Code and any Multiemployer Plan);
- (b) the appointment of a trustee by a United States District Court to administer any Pension Plan pursuant to ERISA;
- (c) the commencement by the PBGC, or any successor thereto, of any proceeding to terminate any Pension Plan;
- (d) the failure of the Company or any ERISA Affiliate to make any payment in respect of any Pension Plan required under Section 412 of the Internal Revenue Code;
- (e) the withdrawal of the Company or any ERISA Affiliate from any Multiemployer Plan;
- (f) the occurrence of an Accumulated Funding Deficiency or a Reportable Event; or

- (g) the occurrence of a Prohibited Transaction which could have a material adverse effect upon the Company and its Subsidiaries, taken as a whole.

#### 7.15 Environmental Matters.

- (a) (i) Not permit any of its property (whether real or personal, or any portion thereof) to be involved in the use, generation, manufacture, storage, disposal or transportation of Hazardous Material, except in compliance with Hazardous Material Laws, and (ii) keep and maintain all of its other property (whether real or personal, and any portion thereof) in compliance with, and shall not cause or permit any activity at or condition of the Collateral, or any of its other property (whether real or personal, or any portion thereof) to be in violation of any Hazardous Material Laws, unless the failure to comply therewith or violation thereof will not materially adversely affect the Company and its Subsidiaries, taken as a whole.
- (b) Promptly notify the Agent in writing of: (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted or completed pursuant to any applicable Hazardous Material Laws; (ii) any and all claims made by any Person against the Company, any of its Subsidiaries, or the Permitted Borrowers, or any of its other property (whether real or personal, or any portion thereof) relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Material which could reasonably be expected to have a material adverse effect on the Company and its Subsidiaries, taken as a whole; and (iii) Company's discovery of any occurrence or condition on any real property or fixtures constituting a part of, adjoining or in the vicinity of any of its property that could cause any such property (or any part thereof) to be subject to any material restrictions on the ownership, occupancy, transferability or use thereof under any Hazardous Material Laws. The Agent, on behalf of the Lenders, shall have the right to join and participate in, as a party if it or they so elect, any legal proceedings or actions initiated in connection with any of the matters described in subparagraphs (b) (i) or (b) (ii), above, and the Company agrees to pay the Agent's reasonable attorneys fees in connection therewith.
- (c) Take any material remedial action as may be required under applicable law in response to the presence of any Hazardous Material on, under, or about any of its property (whether real or personal, or any part thereof), and, pursuant thereto, may enter into settlement agreements, consent decrees, or other compromises in respect of any of the matters described in subparagraphs (b) (i) through (iii), above, provided that, in each case, Company has given Lenders not less than thirty (30) days prior written notice thereof, except, however, in the event remedial action is necessary on an emergency basis or is required by any governmental authority with jurisdiction over the Company or its Subsidiaries, in which case the Company shall provide Lenders with reasonable notice promptly thereafter.



- (d) Agent may retain (on its own behalf and on behalf of the Lenders, but at Company's sole expense) such Environmental Auditors as reasonably necessary to evaluate and/or confirm Company's environmental responses, reports or other matters, including Company's compliance with Hazardous Material Laws generally, under this Section 7.15, or elsewhere herein.

#### 7.16 Significant Subsidiaries.

- (a) With respect to the share capital (or other ownership interests) of each Person which is a Significant Foreign Subsidiary on the Effective Date, within 120 days following the Effective Date (or 180 days in the case of Vishay Asia or General Semiconductor of Taiwan), the Company shall execute or cause to be executed, and delivered to the Agent a Pledge Agreement encumbering subject to Section 7.17 hereof with a first priority Lien, 65% of the share capital (or other ownership interests) of each such Significant Foreign Subsidiary, but only with respect to, and only to the extent of, share capital or other ownership interests that is directly owned by the Company and/or one or more of the Domestic Subsidiaries, to secure the Indebtedness of the Company and the Domestic Permitted Borrowers;
- (b) (i) With respect to each Person which becomes a Significant Domestic Subsidiary subsequent to the Effective Date, cause such new Significant Domestic Subsidiary to execute and deliver to the Agent (x) a Joinder Agreement whereby such Significant Domestic Subsidiary becomes obligated as a Guarantor under the Domestic Guaranty and (y) except where Liens for the benefit of the Agent and the Lenders are not required on certain Collateral under the terms of Section 13.21 hereof, a Joinder Agreement whereby such Significant Domestic Subsidiary becomes obligated under the applicable Security Agreement, such documents to be executed and delivered within thirty days of the date such Person becomes a Significant Subsidiary and (ii) with respect to each Person which becomes a Significant Foreign Subsidiary subsequent to the Effective Date or is a Significant Foreign Subsidiary on the Effective Date, and is also a Significant Foreign Subsidiary on the date of Agent's receipt of the applicable FPB Advance Notice, (a) a Joinder Agreement whereby such Significant Foreign Subsidiary becomes obligated as a Guarantor under the Foreign Guaranty and (b) if such Significant Foreign Subsidiary is incorporated under the laws of the United States of America, a Security Agreement or a Joinder Agreement whereby such Significant Foreign Subsidiary becomes obligated under the applicable Security Agreement, as the case may be, such documents to be executed and delivered within eighty days of the Agent's receipt of a FPB Advance Notice; and
- (c) (i) With respect to the share capital (or other ownership interests) of each Person which becomes a Significant Foreign Subsidiary subsequent to the Effective Date, within sixty days of the date such Person becomes a Significant Foreign Subsidiary, the Company shall execute, or cause to be executed, and deliver to the Agent a Pledge Agreement encumbering subject to Section 7.17 hereof, with a first priority Lien, 65% of the share capital (or other ownership interests) of each such Significant Foreign Subsidiary, but only with respect to, and only to the

extent of, share capital that is directly owned by the Company and/or one or more Domestic Significant Subsidiaries, to secure the Indebtedness of the Company and the Domestic Permitted Borrowers; and (ii) with respect to the share capital (or other ownership interests) of each Person which becomes a Significant Foreign Subsidiary subsequent to the Effective Date, and with respect to each Person which is a Significant Foreign Subsidiary on the Effective Date and which also is a Significant Foreign Subsidiary on the date of Agent's receipt of the applicable FPB Notice, within eighty days of the Agent's receipt of a FPB Advance Notice, the Company shall execute, or cause to be executed, and deliver to the Agent a Pledge Agreement encumbering subject to Section 7.17 hereof, with a first priority Lien on 65% of the share capital of each such Significant Foreign Subsidiary, but only with respect to, and only to the extent of, share capital that is directly owned by the Company and/or one or more Domestic Subsidiaries, to secure the Indebtedness of the Company and the Domestic Permitted Borrowers and 100% of the share capital of each such Significant Foreign Subsidiary to the extent owned, directly or indirectly, by the Company to secure the Indebtedness of the Foreign Permitted Borrowers hereunder; and

- (d) With respect to the share capital (or other ownership interests) of each Person, which becomes a Significant Domestic Subsidiary subsequent to the Effective Date, within thirty days of the date such Person becomes a Significant Domestic Subsidiary, the Company shall execute, or cause to be executed, and deliver to the Agent a stock pledge encumbering, 100% of the share capital (or other ownership interests) of each such Significant Domestic Subsidiary to the extent owned, directly or indirectly, by the Company to secure the Indebtedness of the Company and the Permitted Borrowers.

All Collateral Documents delivered pursuant to this Section shall be in form satisfactory to the Agent and the Required Lenders, in their reasonable discretion, together with such supporting documentation, including without limitation financing statements, acknowledgments, stock powers, registrations and like documents, corporate authority items, certificates and opinions of counsel, as reasonably required by the Agent and the Required Lenders and the Company shall take, or cause to be taken, such steps as are necessary or advisable under applicable law to perfect the liens granted under clauses (a) through (d) hereof.

7.17 Foreign Subsidiaries Security. (a) If, following a change in the relevant sections of the Internal Revenue Code or the regulations, published rulings, notices or other official pronouncements issued or promulgated thereunder, counsel for the Company and the Permitted Borrowers acceptable to the Required Lenders does not within 30 days after a request from the Agent or the Required Lenders deliver evidence, in form and substance mutually satisfactory to the Required Lenders and the Company, that, with respect to each Significant Foreign Subsidiary whose entire share capital, to the extent owned, directly or indirectly, by the Company has not been encumbered in favor of the Lenders (i) a pledge of 66-2/3 % or more of the total combined voting power of all classes of capital stock of such Foreign Subsidiary entitled to vote and (ii) the entering into a guaranty in substantially the form of the Domestic Guaranty by such Significant Foreign Subsidiary, in either such case would cause such Significant Foreign Subsidiary's United States parent for Federal income tax purposes to include in income all or a portion of the

undistributed earnings of such Significant Foreign Subsidiary as determined for Federal income tax purposes, then in the case of a failure to deliver the evidence described in clause (i) above, that portion of such Significant Foreign Subsidiary's outstanding capital stock so issued by such Significant Foreign Subsidiary not theretofore pledged pursuant to a Pledge Agreement shall, to the extent owned, directly or indirectly, by the Company, be pledged to the Agent for the benefit of the Lenders pursuant to a Pledge Agreement (or another pledge agreement in substantially similar form, if needed) and, in the case of failure to deliver the evidence described in clause (ii) above, such Significant Foreign Subsidiary shall execute and deliver the Domestic Guaranty (or another guaranty in substantially the same form, if needed), in each case to the extent that entering into a Pledge Agreement or such Guaranty is permitted under the laws of the respective foreign jurisdiction and all such documents delivered pursuant to this Section 7.17 shall be satisfactory to the Required Lenders, provided, however, that absent the occurrence and continuance of a Default or an Event of Default, any pledge or Domestic Guaranty made or provided pursuant to this Section 7.17 may be removed if counsel for the Company and the Permitted Borrowers subsequently delivers evidence reasonably satisfactory to Agent and the Required Lenders that such pledge or Domestic Guaranty would cause such Significant Foreign Subsidiary's United States parent for Federal income tax purposes to include all or a portion of the undistributed earnings of such Significant Foreign Subsidiary, it being understood that the parties intend that the share capital of any Foreign Subsidiary shall not be required to be pledged and no Foreign Subsidiary shall be required to issue a Guaranty if and to the extent that such Guaranty or Pledge Agreement would cause the Company or any Domestic Subsidiary to be required to include in income (for Federal income tax purposes) all or a portion of the undistributed earnings of such Foreign Subsidiary.

- (b) Upon written notice received from the Company that it wishes to change its tax election with respect to a Subsidiary treated under this Agreement as a Domestic Subsidiary by virtue of its status as a disregarded entity under Section 956 of the Internal Revenue Code, such that the Subsidiary, following such election, would be considered as a Foreign Subsidiary hereunder, Agent and Lenders agree (at Company's sole expense), so long as no Default or Event of Default shall have occurred and be continuing, to enter into such amendments or supplements to and/or releases of the Collateral Documents as may be necessary to prevent such Foreign Subsidiary's United States parent for federal income tax purposes from being required to include in income all or a portion of the undistributed earnings of such Foreign Subsidiary.

7.18 Siliconix. Upon the purchase or other acquisition of any additional shares of stock of Siliconix, shall cause such shares to be encumbered as security for the Indebtedness of the Company and the Permitted Borrowers according to the terms of the applicable Pledge Agreement; and within thirty (30) days of the date on which Siliconix shall become a 100% Subsidiary, cause Siliconix to become a party, by execution of Joinder Agreements, to the Domestic Guaranty and to the applicable Security Agreement in each case according to the requirements set forth in Section 7.16 hereof.

7.19 Security and Defense of Collateral. Except while Liens for the benefit of the Agent and the Lenders are not required on certain Collateral under the terms of Section 13.21 hereof, take such actions as the Agent or the Required Lenders may from time to time reasonably request to establish and maintain first perfected security interests in and Liens on all of its

Collateral in favor of the Agent on behalf of the Lenders, subject only to Liens permitted under Section 8.5 hereof; and defend the Collateral from any Liens other than Liens permitted by Section 8.5.

7.20 Vishay Israel. Within forty-five (45) days following the end of each fiscal year ending after the Effective Date, cause Vishay Israel to request from Israel's Comptroller of Foreign Exchange authorization to increase the limit on the Pledge Agreement executed and delivered by Vishay Israel encumbering the shares of Vishay Europe, to the extent of any increases after the Effective Date in the amount of Vishay Israel's investment in Vishay Europe and as soon as reasonably practicable following receipt of such approval, execute and deliver an amendment in form satisfactory to the Agent and the Required Lenders, in their reasonable discretion, together with such supporting documentation, including without limitation corporate authority items, certificates and opinions of counsel, as reasonably required by the Agent and the Required Lenders and the Company shall take, or cause to be taken, such steps as are necessary or advisable under applicable law to perfect the liens granted under such Pledge Agreement as amended thereby.

7.21 Prepayment of General Semiconductor Notes. Issue such notices of prepayment or redemption ( the "Call Notices") to the holders of the General Semiconductor Notes (or any trustee or other representative) as may be necessary to allow the Company or its applicable Subsidiary to prepay or redeem, in their entirety, all of the issued and outstanding General Semiconductor Notes according to the terms thereof; and use certain of the proceeds of the New Convertible Subordinated Debt (net of reasonable and customary costs and expenses of issuance) to redeem, defease or otherwise prepay within 45 days of the date of issuance of the Call Notices all outstanding principal, premium and interest on the General Semiconductor Notes.

7.22 Use of Proceeds. Use the Advances of the Revolving Credit made to the Company or any Permitted Borrower solely for general corporate purposes, including without limitation working capital and acquisitions. None of the proceeds of the Advances made under this Agreement will be used in violation of any applicable law or regulation including, without limitation, Regulation U of the Board of Governors of the Federal Reserve System.

## 8. NEGATIVE COVENANTS

Company and each of the Permitted Borrowers covenant and agree that, so long as any of the Lenders are committed to make any Advances or issue any Letters of Credit under this Agreement and thereafter so long as any Indebtedness remains outstanding, it will not, and it will not allow its Subsidiaries excluding, for purposes of Section 8.2, any Subsidiary that is not a Significant Subsidiary, a Guarantor or any party obligated under any Security Agreement or Pledge Agreement, to:

8.1 Capital Structure, Business Objects or Purpose. Except as otherwise specifically permitted under this Agreement,

- (a) purchase, acquire or redeem any of its capital stock (whether in connection with the conversion of any Debt to stock or otherwise), except for (i) non-vested stock granted to participants under the Vishay Stock Plan (ii) repurchases by the

Company of its common stock in an aggregate amount, from and after August 31, 2000, not to exceed five percent (5%) of Tangible Net Worth (determined, in the case of each such repurchase of shares, on the date of repurchase), and (iii) repurchases by Siliconix of its common stock prior to the time that Siliconix becomes a Significant Subsidiary, provided, however, that both before and after giving effect to each such repurchase, no Default or Event of Default has occurred and is continuing; and

- (b) make any material change in its capital structure or in its general business objects or purpose or enter into any business, directly or through any Subsidiary except for those businesses in which the Company and its Subsidiaries are engaged on the date of this Agreement or other businesses in the electronic components industry or which are directly related thereto which could reasonably be expected to have a material adverse effect on (i) the Company and the Subsidiaries taken as a whole or (ii) the rights or interests of the Agent and Lenders hereunder.

8.2 Limitations on Fundamental Changes. Enter into any transaction of merger, consolidation or amalgamation, or purchase or otherwise acquire or become obligated for the purchase of all or substantially all of the assets, business interests or shares of capital stock of any Person or in any other manner effectuate an expansion of present business of the Company and its Subsidiaries by acquisition or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, assign, transfer or otherwise dispose of, all, substantially all or any part of its property, business or assets, or make any material change in its present method of conducting business, except:

- (a) any Subsidiary may be merged or consolidated with or into the Company (so long as Company shall be the continuing or surviving corporation); any Domestic Subsidiary may be merged or consolidated with or into any 100% Domestic Subsidiary (so long as such 100% Domestic Subsidiary shall be the continuing or surviving corporation); and any Foreign Subsidiary may be merged or consolidated with or into any 100% Domestic Subsidiary or into any 100% Foreign Subsidiary (excluding Vishay Israel) so long as such 100% Domestic Subsidiary or such 100% Foreign Subsidiary shall be the continuing or surviving corporation);
- (b) any Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Company;
- (c) any Domestic Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to any other Domestic Subsidiary which is a 100% Subsidiary and any Foreign Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to any Domestic Subsidiary or to any other Foreign Subsidiary (excluding Vishay Israel), provided that such Subsidiary is a 100% Subsidiary;

- (d) any Person other than a Subsidiary may merge or consolidate with and into the Company or any 100% Subsidiary (excluding Vishay Israel) so long as (i) the Company or such 100% Subsidiary shall be the surviving corporation and (ii) immediately before and immediately after giving effect to such merger or consolidation, no Default or Event of Default shall have occurred and be continuing;
- (e) Permitted Transfers and any Permitted Securitization;
- (f) other sales, transfers or other dispositions of any assets of the Company and its Subsidiaries from and after the Effective Date in an aggregate amount not to exceed (i) 15% of Tangible Net Worth in any fiscal year and (ii) 20% of Tangible Net Worth for any period of three consecutive fiscal years (or portion thereof) beginning with fiscal year 2001, determined on the basis of Tangible Net Worth for the fiscal quarter ending immediately prior to the date of determination; and
- (g) Permitted Acquisitions and, provided that no Default or Event of Default has occurred and is continuing at the time of such reorganization and restructuring, the PDD Restructuring.

8.3 Guaranties. Guarantee, endorse, or otherwise become liable for or upon the obligations of others, except by endorsement of cash items for deposit in the ordinary course of business and except for (i) the Guaranties, (ii) guaranties by the Company of Hedging Obligations entered into by any Foreign Subsidiary or of reimbursement obligations in respect of Special Letters of Credit issued for the account of any Subsidiary, and (iii) guaranties of indebtedness as set forth on Schedule 8.3 attached hereto or as permitted under clauses (d), (e), (f) or (g) of Section 8.7 hereof and (iv) customary clean up call provisions under any Permitted Securitization.

8.4 Debt. Become or remain obligated for any Debt for borrowed money, or for any Debt incurred in connection with the acquisition of any property, real or personal, tangible or intangible, except:

- (a) Indebtedness to Lenders (or their Affiliates) hereunder, including without limitation, Hedging Obligations and Special Letters of Credit;
- (b) Debt not otherwise permitted hereunder which is in existence as of the Effective Date and disclosed on Schedule 8.4 attached hereto, and any renewals or refinancing of such Debt in amounts not exceeding the scheduled amounts (less any required amortization according to the terms thereof), on terms no less favorable to the Company and its Subsidiaries than in effect on the Effective Date and otherwise in compliance with this Agreement, regardless of any less favorable terms which may result from changes in market rates;
- (c) current unsecured trade, utility or non-extraordinary accounts payable arising in the ordinary course of business and any unsecured letters of credit undertaken by such parties in the ordinary course of business outside the United States of

America (and necessary under local customs and practices) to support such accounts payable;

- (d) purchase money Debt for fixed assets (including capitalized leases or other non-cancelable leases having a term of 12 months or longer), provided that the aggregate amount of all such purchase money Debt outstanding at any time shall not exceed seven and one-half percent (7.5%) of Tangible Net Worth;
- (e) any Debt assumed pursuant to an acquisition conducted in compliance with this Agreement, provided that such Debt was not entered into, extended or renewed in contemplation of such acquisition and provided further that the aggregate amount of all such Debt at any time outstanding shall not exceed six percent (6%) of Tangible Net Worth;
- (f) Debt to third parties issued by any Foreign Subsidiary of the Company in an aggregate amount at any time outstanding not to exceed \$55,000,000; provided that such Debt be issued and at all times maintained on a pari passu basis with the Indebtedness, if any, of such Foreign Subsidiary, or on a basis subordinate thereto, and pursuant to documentation containing covenants not more restrictive in the aggregate than the covenants contained in this Agreement (as determined by the Agent and Required Lenders in their reasonable discretion) and provided further, however, that immediately before and immediately after such Debt is incurred, and giving effect thereto, no Default or Event of Default has occurred and is continuing (it being understood that for purposes of this Section 8.4(f), the granting of Liens which are permitted under Section 8.5 hereof shall not be deemed to constitute the entry into more restrictive covenants or to be other than on a pari passu basis);
- (g) Intercompany Loans, but only to the extent permitted under the other applicable terms and limitations of this Agreement, including but not limited to Section 8.7 hereof;
- (h) unsecured Debt issued under Rule 144A of the Securities Act of 1933 or pursuant to a private placement in an aggregate amount for all such Debt issued under this subparagraph (but without giving effect to any repayments or principal reductions thereof) not to exceed Two Hundred Million Dollars (\$200,000,000); provided that such Debt be issued and all times maintained on a basis subordinate hereto, and pursuant to documentation containing covenants not more restrictive in the aggregate than the covenants contained in this Agreement (as determined by the Agent and the Required Lenders in their reasonable discretion); provided further, however, that immediately before and immediately after such Debt is incurred, and giving effect thereto, no Default or Event of Default has occurred and is continuing; and provided further that prior to or concurrently with the issuance of such Debt, the Revolving Credit Aggregate Commitment is permanently reduced by an amount equal to not less than 75% of the proceeds of such Debt, net of normal and customary expenses of issuance payable to third parties;

- (i) any reimbursement obligations arising in connection with the letters of credit described in Schedule 8.3 attached hereto; and
- (j) the BCC Replacement Financing, the New Convertible Subordinated Debt and any other Subordinated Debt disclosed on Schedule 8.13 attached hereto.

8.5 Liens. Permit or suffer any Lien to exist on any of its properties, real, personal or mixed, tangible or intangible, whether now owned or hereafter acquired, except:

- (a) Liens in favor of the Agent, as security for the Indebtedness hereunder, and, including without limitation, any Indebtedness under any Hedging Obligations or to secure Special Letters of Credit;
- (b) purchase money security interests in fixed assets to secure purchase money Debt permitted under Section 8.4(d) hereof, provided that such security interest is created substantially contemporaneously with the acquisition of such fixed assets and does not extend to any property other than the fixed assets so financed;
- (c) any lien securing third-party indebtedness assumed pursuant to any Permitted Acquisition conducted in compliance with this Agreement, provided that such lien is limited to the property so acquired and was not entered into, extended or renewed in contemplation of such acquisition;
- (d) Permitted Company Encumbrances and Permitted Encumbrances of the Subsidiaries;
- (e) Liens securing Debt of a Foreign Subsidiary (and not supported by a guaranty or a similar obligation by the Company or any Domestic Subsidiary) for overdraft or similar credit facilities permitted under clause (f) of Section 8.4 hereof encumbering cash or cash equivalents owned by any Foreign Subsidiary that do not exceed, in the aggregate, Thirty Million Dollars (\$30,000,000);
- (f) Liens securing Debt otherwise permitted hereunder, provided that the aggregate principal amount of all such Debt which is secured by a Lien shall not exceed Five Million Dollars (\$5,000,000); and
- (g) any Lien encumbering property interests, rights or proceeds which are subject of a transfer or encumbrance pursuant to a Permitted Securitization.

8.6 Dividends. Declare or pay any dividends on or make any other distribution with respect to (whether by reduction of Stockholders' Equity or otherwise) any shares of its capital stock, except for stock dividends and except for (a) cash dividends by any 100% Subsidiary to the Company or any other 100% Subsidiary which has executed a Guaranty hereunder, (b) dividends paid in cash or in kind by any Subsidiary which is not a 100% Subsidiary or by any Joint Venture, provided that such dividends are paid to each holder of share capital therein (including Company or any of its other Subsidiaries) on a pro rata basis (based on the relative amounts of share capital held by each such holder) and provided further that such dividends are paid to the Company or its other Subsidiaries on substantially the same (or better) terms as (and



contemporaneously with) any dividends paid to Persons other than the Company and its Subsidiaries, (c) cash dividends by Vishay Europe which are reinvested in Vishay Europe by its shareholders in compliance with Section 8.7 hereof and (d) cash dividends by Vishay Electronic which are reinvested in Vishay Electronic by Vishay Europe in compliance with Section 8.7, hereof.

8.7 Investments. Make or allow to remain outstanding any investment (whether such investment shall be of the character of investment in shares of stock, evidences of indebtedness or other securities or otherwise) in, or any loans or advances to, any Person, firm, corporation or other entity or association, other than:

- (a) Company's and its Subsidiaries' equity ownership interests in the Subsidiaries as of the Effective Date;
- (b) Additional cash investment in Vishay Europe by its shareholders or in Vishay Electronic by Vishay Europe, which is applied by Vishay Europe or Vishay Electronic, as the case may be, concurrently with such investment to reduce its Indebtedness under this Agreement, in substantially the amount of such additional investment;
- (c) The existing investments, loans and/or advances in or to Subsidiaries set forth or referred to on Schedule 8.7 hereto, in addition to any other matters set forth in this Section 8.7;
- (d) Intercompany Loans, Advances, or Investments made on or after the Effective Date hereunder to Company, or by Company or any Subsidiary to Company or any 100% Subsidiary (excluding Vishay Israel), provided that any Intercompany Loan included therein be evidenced by and funded under an Intercompany Note encumbered pursuant to a Pledge Agreement and further provided that both before and after giving effect to any such loans, advances or investments, no Default or Event of Default has occurred and is continuing under this Agreement;
- (e) Intercompany Loans, Advances or Investments made on or after the Effective Date by Company or any Subsidiary to Vishay Israel or to any Subsidiary which does not constitute a 100% Subsidiary other than Siliconix (provided that any Intercompany Loan included therein be evidenced by and funded under an Intercompany Note encumbered pursuant to a Pledge Agreement), provided that at the time any such loan, advance or investment is made (before and after giving effect thereto) no Default or Event of Default has occurred and is continuing and provided further that the aggregate amount of all such loans, advances and investments shall not exceed, at any time outstanding, 10% of Tangible Net Worth;
- (f) Intercompany Loans to Siliconix, but only to the extent evidenced by and funded under an Intercompany Note encumbered pursuant to a Pledge Agreement, provided that both before and after giving effect to any such loans, advances or

investments, no Default or Event of Default has occurred and is continuing under this Agreement;

- (g) loans, advances or investments made on or after the Effective Date (without regard to any repayment of such loans, advances or investments, other than the repayment of capital or principal) to any Joint Venture or other Person, including without limitation guaranties by the Company or any Subsidiary (valued on the basis of the aggregate amount of indebtedness covered by a guaranty) of third-party indebtedness of any such Joint Venture or other Person, which loans, advances or investments are not otherwise permitted under this Section 8.7, in an aggregate amount at any time outstanding not to exceed seven and one-half percent (7.5%) of Tangible Net Worth;
- (h) the Remaining Siliconix Acquisition, subject to the terms and conditions of this Agreement;
- (i) investments, whether by acquisition of shares of Capital Stock, indebtedness or other obligations or security of, any Person (other than a Subsidiary or an Affiliate) which is a customer of the Company or any Subsidiary, which investment was made in exchange for amounts owed by such customer to the Company or any Subsidiary (and incurred in the ordinary course of business) or as an advance on the provision of goods and services in the ordinary course of business;
- (j) Hedging Obligations and guaranties by the Company of Hedging Obligations entered into by any Foreign Subsidiary;
- (k) Permitted Investments; and
- (l) Investments in any Subsidiary (including, without limitation, any Special Purpose Subsidiary) from and after the date hereof consisting of (x) dispositions of specific foreign accounts receivable made pursuant to any Permitted Securitization and the resultant Debt issued by a Special Purpose Subsidiary to another Subsidiary as part of such Permitted Securitization, in each case to the extent constituting Investments hereunder; and (y) the repurchase or replacement from and after the date hereof of accounts receivable pursuant to any representations or warranties or clean up call provisions included in such Permitted Securitization in accordance with the definition thereof.

In valuing any investments, loans and advances for the purpose of applying the limitations set forth in this Section 8.7 (except as otherwise expressly provided herein), such investments, loans and advances shall be taken at the original cost thereof, without allowance for any subsequent write-offs or appreciation or depreciation therein, but less any amount repaid or recovered on account of capital or principal.

8.8 Accounts Receivable. Sell or assign any account, note or trade acceptance receivable, except to Agent on behalf of the Lenders, and except the sale or assignment of foreign accounts receivable pursuant to any Permitted Securitization.

8.9 Transactions with Affiliates. Enter into any transaction with any of its or their stockholders or officers or its or their affiliates, except in the ordinary course of business and on terms not less favorable than would be usual and customary in similar transactions between Persons dealing at arm's length and except for (i) transactions otherwise permitted by this Agreement and (ii) transactions between the Company and any 100% owned Subsidiary (other than Vishay Israel or its Israeli Subsidiaries) or between any 100% owned Subsidiary and any other 100% owned Subsidiary (other than Vishay Israel or its Israeli Subsidiaries).

8.10 Operations of Vishay Israel. Permit the normal manufacturing or other operations of Vishay Israel (or of Company or any of its other Subsidiaries conducted in Israel) to be interrupted, stopped or delayed for any period of fourteen (14) consecutive days, excluding regularly scheduled vacations and holidays in the ordinary course of such operations.

8.11 Prohibition Against Certain Restrictions. (a) Enter into or otherwise become subject to any agreement or arrangement (excluding this Agreement and excluding any such agreement by a Special Purpose Subsidiary pursuant to a Permitted Securitization, but only to the extent such agreement applied only to such Special Purpose Subsidiary) with any lender or other third party (i) which prohibits, restricts or otherwise limits the ability of Company to make loans, advances or investments to its Subsidiaries or which prohibits, restricts or otherwise limits the ability of any Subsidiary to make loans, advances or investments in any other Subsidiary (ii) which prohibits, restricts or otherwise limits the ability of any Subsidiary to declare or pay any dividends on or make any other distribution with respect to any shares of its capital stock, or (iii) which prohibits, restricts or otherwise limits the execution, delivery or performance by Company or any Subsidiary of any guaranty, indemnity or similar undertaking in favor of Agent or the Lenders.

- (b) Except in connection with Liens permitted by Section 8.5, to the extent of the property encumbered by such Liens, enter into any agreement, document or instrument which would restrict or prevent Company and its Subsidiaries from granting Agent on behalf of Lenders liens upon, security interests in and pledges of their respective assets which are senior in priority to all other Liens.

8.12 Amendment of the BCC Acquisition Documents. Amend, modify or otherwise alter (or suffer to be amended, modified or altered) any of the material terms and conditions of the BCC Acquisition Documents in any respect which is materially adverse to the Company, as determined by Company in its reasonable discretion, without the prior written approval of Agent and the Required Lenders; provided that promptly following any amendment to any of such documents, Company shall provide Agent with copies of such amendments, for distribution to the Lenders.

8.13 Amendment of Subordinated Debt and Other Debt Documents and Permitted Securitizations. Amend, modify or otherwise alter (or suffer to be amended, modified or altered) any of the terms and conditions of those documents or instruments evidencing or otherwise related to any Debt set forth on Schedule 8.13 or any other Subordinated Debt (including the New Convertible Subordinated Debt) or any Permitted Securitization, except for those amendments, modifications or other alterations which could not reasonably be determined to have a material adverse effect on (a) the business, operations, property or condition (financial or

otherwise) of the Company and its Subsidiaries, taken as a whole, (b) the ability of the Company or any of its Subsidiaries to perform their respective obligations under this Agreement or any other Loan Document to which any of them is a party, or (c) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights or remedies of the Agent or the Lenders hereunder or thereunder, or except as may be approved by Agent and the Required Lenders.

8.14 Payment or Prepayment of Other Debts. Prepay, purchase, redeem or defease the New Subordinated Convertible Debt, any Subordinated Debt or any other Debt set forth on Schedule 8.13 (whether in connection with the conversion of any such Debt or otherwise), except for (a) prepayment, purchase, redemption or defeasance of the LYONS, including the redemption of the LYONS at the option of the holders thereof pursuant to their terms on June 4, 2004 and June 4, 2006, (b) the prepayment of all outstanding principal, premium and interest on those certain notes issued under and pursuant to that certain Indenture dated as of December 14, 1999 between The Bank of New York, as trustee and General Semiconductor, Inc., as issuer (the "General Semiconductor Notes"), and (c) the conversion of the BCC Replacement Financing into stock pursuant to the put rights relating thereto; and except for regularly scheduled payments of interest, make any payments, prepayments or purchase, redeem or otherwise defease the BCC Replacement Financing in cash or cash equivalents, prior to the Revolving Credit Maturity Date.

## 9. DEFAULTS

9.1 Events of Default. Any of the following events is an "Event of Default":

- (a) non-payment when due of the principal or interest of any Advance in accordance with the terms thereof or of any reimbursement obligation under Section 3.6 hereof, and in the case of interest payments, continuance thereof for three (3) days;
- (b) default in the payment of any money by Company or any of the Permitted Borrowers under this Agreement (other than as set forth in subsection (a), above) or the other Loan Documents, and continuance thereof for three (3) days of the date the same is due and payable;
- (c) default in the observance or performance of any of the other conditions, covenants or agreements set forth in this Agreement or any of the other Loan Documents by any party thereto (provided that, with respect to the covenants set forth in Sections 7.8, 7.10, 7.12, 7.13 and 7.14 hereof, such event has continued for thirty (30) consecutive days) or the occurrence of any other default or Event of Default, as the case may be hereunder or thereunder;
- (d) any representation or warranty made by Company or any of the Permitted Borrowers herein or in any instrument submitted pursuant hereto or by any other party to the Loan Documents proves untrue in any material adverse respect when made; provided that, with respect to any misrepresentation or breach of warranty arising subsequent to the date hereof under Sections 6.7, 6.8, 6.13 through 6.15 and 6.18 of this Agreement solely by virtue of the nature of the representations

and warranties hereunder as continuing, (i) as to Section 6.8, hereof, any applicable cure period existing in respect of such matters shall have expired and (ii) as to the remaining Sections of this Agreement specified in this subparagraph (d), such misrepresentation or breach of warranty hereunder shall have continued for a period of thirty (30) consecutive days;

- (e) any provision of any Guaranty, or any Collateral Document shall at any time for any reason (other than in accordance with its terms or the terms of this Agreement) cease to be valid and binding and enforceable against the Company or the Significant Subsidiaries, as applicable, or the validity, binding effect or enforceability thereof shall be contested by any Person, or the Company or any of the Significant Subsidiaries shall deny that it has any or further liability or obligation under any Guaranty, or any Collateral Document, as applicable, or any Guaranty, or any Collateral Document shall be terminated, invalidated or set aside or in any way cease to give or provide to the Lenders and the Agent the benefits purported to be created thereby;
- (f) default in the payment of any other obligation of Company, its Significant Subsidiaries, any Guarantor or any Person obligated under a Security Agreement or Pledge Agreement for borrowed money in excess of Ten Million Dollars (\$10,000,000) (or the equivalent thereof in an Alternative Currency), individually or in the aggregate; or default in the observance or performance of any conditions, covenants or agreements related or given with respect to any other obligations for borrowed money in an aggregate amount in excess of Ten Million Dollars (\$10,000,000) (or the equivalent thereof in an Alternative Currency), which is sufficient to permit the holder thereof to accelerate the maturity of such obligation;
- (g) the rendering of any judgment or judgments for the payment of money in excess of the sum of Ten Million Dollars (\$10,000,000) (or the Alternative Currency equivalent thereof) in the aggregate against Company, any of its Significant Subsidiaries, any Guarantor, or any Person obligated under a Security Agreement or Pledge Agreement, and such judgments shall remain unpaid, unvacated, unbonded or unstayed by appeal or otherwise for a period of thirty (30) consecutive days, except as covered by adequate insurance with a reputable carrier and an action is pending in which an active defense is being made with respect thereto;
- (h) any Person shall engage in any Prohibited Transaction involving any Pension Plan, (ii) any Accumulated Funding Deficiency, whether or not waived, shall exist with respect to any Pension Plan or any Lien in favor of the PBGC or a Pension Plan shall arise on the assets of the Company or any ERISA Affiliate, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA or (v) the Company or any ERISA Affiliate shall, or in the reasonable opinion of the Required Lenders is likely to,

incur any liability in connection with a withdrawal from, or the insolvency, bankruptcy or reorganization of, a Multiemployer Plan and in each case in clauses (i) through (v) above, (x) a period of sixty (60) days, or more, has elapsed from the occurrence of such event or condition and (y) such event or condition, together with all other such events or conditions, if any, could reasonably be expected to subject the Company or any of its Subsidiaries to any tax, penalty or other liabilities in the aggregate material in relation to the business, operations, property or financial or other condition of the Company and its Subsidiaries taken as a whole;

- (i) (A) any one Person or group of Persons acting in concert shall acquire or control, directly or indirectly, whether by ownership, proxy, voting trust or otherwise, twenty percent (20%) or more of the voting power of the issued and outstanding stock of Company, other than (x) any Person or group of Persons beneficially owning, directly or indirectly, as of the date hereof capital stock of the Company with twenty percent (20%) or more of such voting power or (y) any Permitted Transferee; or (B) individuals who constitute the Continuing Directors cease for any reason to constitute at least a majority of the Company's directors (for purposes of this Section 9.1(i)(B), "Continuing Director" means any director who is currently a director and any director who is nominated or elected by a majority of Continuing Directors who are then directors);
- (j) If a creditors' committee shall have been appointed for the business of Company, any of its Significant Subsidiaries, any Guarantor or any Person obligated under a Security Agreement or Pledge Agreement; or if Company, any Significant Subsidiary, any Guarantor or any Person obligated under a Security Agreement or Pledge Agreement shall have made a general assignment for the benefit of creditors or shall have been adjudicated bankrupt, or shall have filed a voluntary petition in bankruptcy or for reorganization or to effect a plan or arrangement with creditors or shall fail to pay its debts generally as such debts become due in the ordinary course of business (except as contested in good faith and for which adequate reserves are made in such party's financial statements); or shall file an answer to a creditor's petition or other petition filed against it, admitting the material allegations thereof for an adjudication in bankruptcy or for reorganization; or shall have applied for or permitted the appointment of a receiver or trustee or custodian for any of its property or assets; or such receiver, trustee or custodian shall have been appointed for any of its property or assets (otherwise than upon application or consent of Company, any Significant Subsidiary, any Guarantor or any Person obligated under a Security Agreement or Pledge Agreement) and such appointment has not been dismissed or stayed within thirty (30) days from the date of appointment or if an order for relief or otherwise approving any petition for reorganization of Company, any Significant Subsidiary, any Guarantor or any Person obligated under a Security Agreement or Pledge Agreement shall be entered; or if an involuntary petition is filed against Company, any Significant Subsidiary, any Guarantor or any Person obligated under a Security Agreement or Pledge Agreement and shall not be dismissed or stayed within thirty (30) days from the date of filing thereof; and

- (k) if any "Fundamental Change" shall have occurred as defined in that certain Indenture entered into by the Company in connection with the New Convertible Subordinated Debt without giving effect to any amendments thereto or modifications thereof subsequent to the Effective Date.

9.2 Exercise of Remedies. If an Event of Default has occurred and is continuing hereunder: (a) the Agent shall, if directed to do so by the Required Lenders, declare any commitment of the Lenders to extend credit hereunder immediately terminated; (b) the Agent shall, if directed to do so by the Required Lenders, declare the entire unpaid Indebtedness immediately due and payable, without presentment, notice or demand, all of which are hereby expressly waived by Company and the Permitted Borrowers; (c) upon the occurrence of any Event of Default specified in Section 9.1(j) above, and notwithstanding the lack of any declaration by Agent under the preceding clause (a) or (b), the Lenders' commitments to extend credit hereunder shall immediately and automatically terminate and the entire unpaid Indebtedness shall become automatically due and payable without presentment, notice or demand; (d) the Agent shall, upon being directed to do so by the Required Lenders, demand immediate delivery of cash collateral, and the Company and each Account Party agree to deliver such cash collateral upon demand, in an amount equal to the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Letters of Credit; and (e) the Agent shall, if directed to do so by the Required Lenders or the Lenders, as applicable (subject to the terms hereof), exercise any remedy permitted by this Agreement, the other Loan Documents or law.

9.3 Rights Cumulative. No delay or failure of Agent and/or Lenders in exercising any right, power or privilege hereunder shall affect such right, power or privilege, nor shall any single or partial exercise thereof preclude any other or further exercise thereof, or the exercise of any other power, right or privilege. The rights of Lenders under this Agreement are cumulative and not exclusive of any right or remedies which Lenders would otherwise have.

9.4 Waiver by Company and Permitted Borrowers of Certain Laws; JURY WAIVER. To the extent permitted by applicable law, Company and each of the Permitted Borrowers hereby agree to waive, and do hereby absolutely and irrevocably waive and relinquish the benefit and advantage of any valuation, stay, appraisal, extension or redemption laws now existing or which may hereafter exist, which, but for this provision, might be applicable to any sale made under the judgment, order or decree of any court, on any claim for interest on any principal of any Advance, AND FURTHER HEREBY IRREVOCABLY AGREE TO WAIVE THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY AND ALL ACTIONS OR PROCEEDINGS IN WHICH AGENT OR THE LENDERS (OR ANY OF THEM), ON THE ONE HAND, AND THE COMPANY OR ANY OF THE PERMITTED BORROWERS, ON THE OTHER HAND, ARE PARTIES, WHETHER OR NOT SUCH ACTIONS OR PROCEEDINGS ARISE OUT OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS, OR OTHERWISE. These waivers have been voluntarily given, with full knowledge of the consequences thereof.

9.5 Waiver of Defaults. No Event of Default shall be waived by the Lenders except in a writing signed by an officer of the Agent in accordance with Section 13.11 hereof. No single or partial exercise of any right, power or privilege hereunder, nor any delay in the exercise

thereof, shall preclude any other or further exercise of the Lenders' rights by Agent. No waiver of any Event of Default shall extend to any other or further Event of Default. No forbearance on the part of the Agent in enforcing any of the Lenders' rights shall constitute a waiver of any of their rights. Company and the Permitted Borrowers expressly agree that this Section may not be waived or modified by the Lenders or Agent by course of performance, estoppel or otherwise.

10. PAYMENTS, RECOVERIES AND COLLECTIONS.

10.1 Payment Procedure.

- (a) All payments by Company and/or by any of the Permitted Borrowers of principal of, or interest on, Advances of the Revolving Credit or the Swing Line or of Letter of Credit Obligations or Fees shall be made without setoff or counterclaim on the date specified for payment under this Agreement not later than 11:00 a.m. (Detroit time) in Dollars in immediately available funds to Agent, for the ratable account of the Lenders, at Agent's office located at One Detroit Center, Detroit, Michigan 48226, in respect of Domestic Advances or Fees payable in Dollars. Payments made in respect of any Advance in any Alternative Currency or any Fees payable in any Alternative Currency shall be made in such Alternative Currency in immediately available funds for the account of Agent's Eurocurrency Lending Office, at the Agent's Correspondent, for the ratable account of the Lenders, not later than 11:00 a.m. (the time of Agent's Correspondent). Upon receipt of each such payment, the Agent shall make prompt payment to each Lender, or, in respect of Eurocurrency-based Advances, such Lender's Eurocurrency Lending Office, in like funds and currencies, of all amounts received by it for the account of such Lender.
- (b) Unless the Agent shall have been notified by the Company prior to the date on which any payment to be made by the Company or any of the Permitted Borrowers is due that the Company or such Permitted Borrower does not intend to remit such payment, the Agent may, in its discretion, assume that the Company or such Permitted Borrower has remitted such payment when so due and the Agent may, in reliance upon such assumption, make available to each Lender on such payment date an amount equal to such Lender's share of such assumed payment. If the Company or any of the Permitted Borrowers has not in fact remitted such payment to the Agent, each Lender shall forthwith on demand repay to the Agent in the applicable currency the amount of such assumed payment made available to such Lender, together with the interest thereon, in respect of each day from and including the date such amount was made available by the Agent to such Lender to the date such amount is repaid to the Agent at a rate per annum equal to (i) for Prime-based Advances, the Federal Funds Effective Rate, as the same may vary from time to time, and (ii) with respect to Eurocurrency-based Advances, Agent's aggregate marginal cost (including the cost of maintaining any required reserves or deposit insurance and of any fees, penalties, overdraft charges or other costs or expenses incurred by Agent) of carrying such amount.



- (c) Whenever any payment to be made hereunder (other than payments in respect of any Eurocurrency-based Advance or a Quoted Rate Advance) shall otherwise be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest, if any, in connection with such payment. Whenever any payment of principal of, or interest on, a Eurocurrency-based Advance or a Quoted Rate Advance shall be due on a day which is not a Business Day the date of payment thereof shall be extended to the next succeeding Business Day unless as a result thereof it would fall in the next calendar month, in which case it shall be shortened to the next preceding Business Day and, in the case of a payment of principal, interest thereon shall be payable for such extended or shortened time, if any.
- (d) All payments to be made by the Company or the Permitted Borrowers under this Agreement (including without limitation payments under the Swing Line) shall be made without set-off or counterclaim, as aforesaid, and without deduction for or on account of any present or future withholding or other taxes of any nature imposed by any governmental authority or of any political subdivision thereof or any federation or organization of which such governmental authority may at the time of payment be a member, unless Company or any of the Permitted Borrowers, as the case may be, is compelled by law to make payment subject to such tax. In such event, Company and such Permitted Borrower shall:
- (i) pay to the Agent for Agent's own account and/or, as the case may be, for the account of the Lenders (and, in the case of any Swing Line Advances, pay to the Swing Line Bank which funded such Advances) such additional amounts as may be necessary to ensure that the Agent and/or such Lender or Lenders receive a net amount in the applicable Permitted Currency equal to the full amount which would have been receivable had payment not been made subject to such tax; and
  - (ii) remit such tax to the relevant taxing authorities according to applicable law, and send to the Agent such certificates or certified copy receipts as the Agent or any Lender shall reasonably require as proof of the payment by the Company or such Permitted Borrower of any such taxes payable by the Company or such Permitted Borrower.

As used herein, the terms "tax", "taxes" and "taxation" include all taxes, levies, imposts, duties, charges, fees, deductions and withholdings and any restrictions or conditions resulting in a charge together with interest (and any taxes payable upon the amounts paid or payable pursuant to this Section 10.1) thereon and fines and penalties with respect thereto which may be imposed by reason of any violation or default with respect to the law regarding such tax, assessed as a result of or in connection with the transactions in any Alternative Currency hereunder, or the payment and/or receipt of funds in any Alternative Currency hereunder, or the payment or delivery of funds into or out of any jurisdiction other than the United

States (whether assessed against Company, the Permitted Borrower, Agent or any of the Lenders).

10.2 Application of Proceeds. Subject to the Collateral Documents, but notwithstanding anything to the contrary in this Agreement or other Loan Document, after an Event of Default, the proceeds of any Collateral, together with any offsets, voluntary payments by the Company or the Permitted Borrowers or others and any other sums received or collected in respect of the Indebtedness, shall be applied, first, to payment of principal and interest of outstanding Advances, any reimbursement obligations under Section 3.6 hereof and any net obligations with respect to Hedging Obligations entered into between the Company or its Subsidiaries and a Lender or an affiliate of a Lender, on a pro rata basis, next, to any other Indebtedness on a pro rata basis, and then, if there is any excess, to the Company or the Permitted Borrowers, as the case may be. The application of such proceeds and other sums to the outstanding Indebtedness hereunder shall be based on each Lender's Percentage of the aggregate Indebtedness.

10.3 Pro-rata Recovery. If any Lender shall obtain any payment or other recovery (whether voluntary, involuntary, by application of offset or otherwise) on account of principal of, or interest on, any of the outstanding Advances (or on account of its participation in any Letter of Credit) in excess of its pro rata share of payments then or thereafter obtained by all Lenders upon principal of and interest on all outstanding Advances (or such participation), such Lender shall purchase from the other Lenders such participations in the outstanding Advances (or subparticipations in the Letters of Credit) held by them as shall be necessary to cause such purchasing Lender to share the excess payment or other recovery ratably in accordance with the Percentages of the Revolving Credit with each of them; provided, however, that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing holder, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

10.4 Set Off. Upon the occurrence and during the continuance of any Event of Default, each Lender may at any time and from time to time, without notice to the Company but subject to the provisions of Section 10.3 hereof, (any requirement for such notice being expressly waived by the Company) set off and apply against any and all of the obligations of the Company or any Permitted Borrower now or hereafter existing under this Agreement, whether owing to such Lender or any other Lender or the Agent, any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Company or such Permitted Borrower and any property of the Company or such Permitted Borrower from time to time in possession of such Lender, irrespective of whether or not such deposits held or indebtedness owing by such Lender may be contingent and unmatured and regardless of whether any Collateral then held by Agent or any Lender is adequate to cover the Indebtedness, provided, however, that a Lender may not set off and apply against any obligations of the Company or any Domestic Permitted Borrower any deposits or property of, or other indebtedness owing to, or for the credit or account of any Foreign Permitted Borrower. Promptly following any such setoff, such Lender shall give written notice to Agent and to Company and the applicable Permitted Borrower of the occurrence thereof. Each of the Company and each Permitted Borrower hereby grants to the Lenders and the Agent a lien on and security interest in all such deposits, indebtedness and property as collateral

security for the payment and performance of all of the obligations of the Company and the Permitted Borrowers under this Agreement. The rights of each Lender under this Section 10.4 are in addition to the other rights and remedies (including, without limitation, other rights of setoff) which such Lender may have.

#### 11. CHANGES IN LAW OR CIRCUMSTANCES; INCREASED COSTS.

11.1 Reimbursement of Prepayment Costs. If Company or any Permitted Borrower makes any payment of principal with respect to any Eurocurrency-based Advance or Quoted Rate Advance on any day other than the last day of the Interest Period applicable thereto (whether voluntarily, by acceleration, or otherwise), or if Company or any Permitted Borrower converts or refunds (or attempts to convert or refund) any such Advance on any day other than the last day of the Interest Period applicable thereto; or if Company or any Permitted Borrower fails to borrow, refund or convert into any Eurocurrency-based Advance or Quoted Rate Advance after notice has been given by Company or such Permitted Borrower to Agent in accordance with the terms hereof requesting such Advance, or if Company or any Permitted Borrower fails to make any payment of principal or interest in respect of a Eurocurrency-based Advance or Quoted Rate Advance when due, Company and the applicable Permitted Borrower shall reimburse Agent for itself and/or on behalf of any Lender, as the case may be, on demand for any resulting loss, cost or expense incurred (excluding the loss of any Applicable Margin) by Agent and Lenders, as the case may be as a result thereof, including, without limitation, any such loss, cost or expense incurred in obtaining, liquidating, employing or redeploying deposits from third parties, whether or not Agent and Lenders, as the case may be, shall have funded or committed to fund such Advance. Such amount payable by Company to Agent for itself and/or on behalf of any Lender, as the case may be, may include, without limitation, an amount equal to the excess, if any, of (a) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, refunded or converted, for the period from the date of such prepayment or of such failure to borrow, refund or convert, through the last day of the relevant Interest Period, at the applicable rate of interest for said Advance(s) provided under this Agreement, over (b) the amount of interest (as reasonably determined by Agent and Lenders, as the case may be) which would have accrued to Agent and Lenders, as the case may be, on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurocurrency market. Calculation of any amounts payable to any Lender under this paragraph shall be made as though such Lender shall have actually funded or committed to fund the relevant Advance through the purchase of an underlying deposit in an amount equal to the amount of such Advance and having a maturity comparable to the relevant Interest Period; provided, however, that any Lender may fund any Eurocurrency-based Advance or Quoted Rate Advance, as the case may be, in any manner it deems fit and the foregoing assumptions shall be utilized only for the purpose of the calculation of amounts payable under this paragraph. Upon the written request of Company, Agent and Lenders shall deliver to Company a certificate setting forth the basis for determining such losses, costs and expenses, which certificate shall be conclusively presumed correct, absent manifest error.

11.2 Eurocurrency Lending Office. For any Advance to which the Eurocurrency-based Rate is applicable, if Agent or a Lender, as applicable, shall designate a Eurocurrency Lending Office which maintains books separate from those of the rest of Agent or

such Lender, Agent or such Lender, as the case may be, shall have the option of maintaining and carrying the relevant Advance on the books of such Eurocurrency Lending Office.

11.3 Availability of Alternative Currency. The Agent and the Lenders shall not be required to make any Advance in an Alternative Currency if, at any time prior to making such Advance, the Agent or the Required Lenders (after consultation with Agent) shall determine, in its or their sole discretion, that (i) deposits in the applicable Alternative Currency in the amounts and maturities required to fund such Advance will not be available to the Agent and the Lenders; (ii) a fundamental change has occurred in the foreign exchange or interbank markets with respect to the applicable Alternative Currency (including, without limitation, changes in national or international financial, political or economic conditions or currency exchange rates or exchange controls); or (iii) it has become otherwise materially impractical for the Agent or the Lenders, as applicable, to make such Advance in the applicable Alternative Currency. The Agent or the applicable Lender, as the case may be, shall promptly notify the Company and Lenders of any such determination.

11.4 Refunding Advances in Same Currency. If pursuant to any provisions of this Agreement, the Company or any of the Permitted Borrowers repays one or more Advances and on the same day borrows an amount in the same currency, the Agent (or the Swing Line Bank, in the case of a Swing Line Advance) shall apply the proceeds of such new borrowing to repay the principal of the Advance or Advances being repaid and only an amount equal to the difference (if any) between the amount being borrowed and the amount being repaid shall be remitted by the Agent to the Company or such Permitted Borrower, or by the Company or such Permitted Borrower to the Agent, as the case may be.

11.5 Circumstances Affecting Eurocurrency-based Rate Availability. If with respect to any Interest Period, Agent or the Required Lenders (after consultation with Agent) shall determine that, by reason of circumstances affecting the foreign exchange and interbank markets generally, deposits in eurodollars or in any applicable Alternative Currency, as the case may be, in the applicable amounts are not being offered to the Agent or such Lenders for such Interest Period, then Agent shall forthwith give notice thereof to the Company and the Permitted Borrowers. Thereafter, until Agent notifies Company and the Permitted Borrowers that such circumstances no longer exist, (i) the obligation of Lenders to make Eurocurrency-based Advances (other than in any applicable Alternative Currency with respect to which deposits are available, as required hereunder), and the right of Company and the Permitted Borrowers to convert an Advance to or refund an Advance as a Eurocurrency-based Advance, as the case may be (other than in any applicable Alternative Currency with respect to which deposits are available, as required hereunder), shall be suspended, and (ii) the Company and the Permitted Borrowers shall repay in full (or cause to be repaid in full) the then outstanding principal amount of each such Eurocurrency-based Advance covered hereby in the applicable Permitted Currency, together with accrued interest thereon, any amounts payable under Sections 11.1 and 11.8 hereof, and all other amounts payable hereunder on the last day of the then current Interest Period applicable to such Advance. Upon the date for repayment as aforesaid and unless Company notifies Agent to the contrary within two (2) Business Days after receiving a notice from Agent pursuant to this Section, such outstanding principal amount shall be converted to a Prime-based Advance as of the last day of such Interest Period.

11.6 Laws Affecting Eurocurrency-based Advance Availability. If, after the date of this Agreement, the introduction of, or any change in, any applicable law, rule or regulation or in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by any of the Lenders (or any of their respective Eurocurrency Lending Offices) with any request or directive (whether or not having the force of law) of any such authority, shall make it unlawful or impossible for any of the Lenders (or any of their respective Eurocurrency Lending Offices) to honor its obligations hereunder to make or maintain any Advance with interest at the Eurocurrency-based Rate, or in an Alternative Currency, such Lender shall forthwith give notice thereof to Company and to Agent. Thereafter, (a) the obligations of Lenders to make Eurocurrency-based Advances or Advances in any such Alternative Currency and the right of Company or any Permitted Borrower to convert an Advance into or refund an Advance as a Eurocurrency-based Advance or as an Advance in any such Alternative Currency shall be suspended and thereafter Company and the Permitted Borrowers may select as Applicable Interest Rates or as Alternative Currencies only those which remain available and which are permitted to be selected hereunder, and (b) if any of the Lenders may not lawfully continue to maintain an Advance to the end of the then current Interest Period applicable thereto as a Eurocurrency-based Advance or in such Alternative Currency, the applicable Advance shall immediately be converted to a Prime-based Advance (in the Dollar Amount thereof) and the Prime-based Rate shall be applicable thereto for the remainder of such Interest Period. For purposes of this Section, a change in law, rule, regulation, interpretation or administration shall include, without limitation, any change made or which becomes effective on the basis of a law, rule, regulation, interpretation or administration presently in force, the effective date of which change is delayed by the terms of such law, rule, regulation, interpretation or administration.

11.7 Increased Cost of Eurocurrency-based Advances. If the adoption after the date of this Agreement of, or any change after the date of this Agreement in, any applicable law, rule or regulation of or in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Agent or any of the Lenders (or any of their respective Eurocurrency Lending Offices) with any request or directive (whether or not having the force of law) made by any such authority, central bank or comparable agency after the date hereof:

- (a) shall subject any of the Lenders (or any of their respective Eurocurrency Lending Offices) to any tax, duty or other charge with respect to any Advance or shall change the basis of taxation of payments to any of the Lenders (or any of their respective Eurocurrency Lending Offices) of the principal of or interest on any Advance or any other amounts due under this Agreement in respect thereof (except for changes in the rate of tax on the overall net income of any of the Lenders or any of their respective Eurocurrency Lending Offices imposed by the jurisdiction in which such Lender's principal executive office or Eurocurrency Lending Office is located); or
- (b) shall impose, modify or deem applicable any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any of the Lenders (or any of their

respective Eurocurrency Lending Offices) or shall impose on any of the Lenders (or any of their respective Eurocurrency Lending Offices) or the foreign exchange and interbank markets any other condition affecting any Advance;

and the result of any of the foregoing is to increase the costs to any of the Lenders of maintaining any part of the Indebtedness hereunder as a Eurocurrency-based Advance or as an Advance in any Alternative Currency or to reduce the amount of any sum received or receivable by any of the Lenders under this Agreement in respect of a Eurocurrency-based Advance or any Advance in an Alternative Currency, whether with respect to Advances to Company or to any of the Permitted Borrowers, then such Lender shall promptly notify Agent (or, in the case of a Swing Line Advance, shall notify Company and the applicable Permitted Borrower directly, with a copy of such notice to Agent), and Agent (or such Lender, as aforesaid) shall promptly notify Company and Permitted Borrowers of such fact and demand compensation therefor and, within fifteen (15) days after such notice, Company agrees to pay to such Lender such additional amount or amounts as will compensate such Lender or Lenders for such increased cost or reduction. Agent will promptly notify Company and the Permitted Borrowers of any event of which it has knowledge which will entitle Lenders to compensation pursuant to this Section, or which will cause Company or Permitted Borrowers to incur additional liability under Sections 11.1 and 11.8 hereof, provided that Agent shall incur no liability whatsoever to the Lenders, Company or Permitted Borrowers in the event it fails to do so. A certificate of Agent (or such Lender, if applicable) setting forth the basis for determining such additional amount or amounts necessary to compensate such Lender or Lenders shall be conclusively presumed to be correct save for manifest error. For purposes of this Section, a change in law, rule, regulation, interpretation, administration, request or directive shall include, without limitation, any change made or which becomes effective on the basis of a law, rule, regulation, interpretation, administration, request or directive presently in force, the effective date of which change is delayed by the terms of such law, rule, regulation, interpretation, administration, request or directive.

11.8 Indemnity. The Company will indemnify Agent and each of the Lenders against any loss or expense (but excluding loss of any Applicable Margin) which may arise or be attributable to the Agent's and each Lender's obtaining, liquidating or employing deposits or other funds acquired to effect, fund or maintain the Advances (a) as a consequence of any failure by the Company or any of the Permitted Borrowers to make any payment when due of any amount due hereunder in connection with a Eurocurrency-based Advance, (b) due to any failure of the Company or any Permitted Borrower to borrow, refund or convert on a date specified therefor in a Request for Advance or (c) due to any payment, prepayment or conversion of any Eurocurrency-based Advance on a date other than the last day of the Interest Period for such Advance. Such loss or expense shall be calculated based upon the present value, as applicable, of payments due from the Company or such Permitted Borrower with respect to a deposit obtained by the Agent or any of the Lenders in order to fund such Advance to the Company or to such Permitted Borrower. The Agent's and each Lender's, as applicable, calculations of any such loss or expense shall be furnished to the Company and shall be conclusive, absent manifest error.

11.9 Judgment Currency. The obligation of the Company and Permitted Borrowers to make payments of the principal of and interest on the outstanding Advances and any other amounts payable hereunder in the currency specified for such payment herein shall not be

discharged or satisfied by any tender, or any recovery pursuant to any judgment, which is expressed in or converted into any other currency, except to the extent that such tender or recovery shall result in the actual receipt by each of the Lenders of the full amount of the particular Permitted Currency expressed to be payable herein. The Agent (or the Swing Line Bank, as applicable) shall, using all amounts obtained or received from the Company and from Permitted Borrowers pursuant to any such tender or recovery in payment of principal of and interest on the outstanding Advances, promptly purchase the applicable Permitted Currency at the most favorable spot exchange rate determined by the Agent to be available to it. The obligation of the Company and the Permitted Borrowers to make payments in the applicable Permitted Currency shall be enforceable as an alternative or additional cause of action solely for the purpose of recovering in the applicable Permitted Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Permitted Currency expressed to be payable herein.

11.10 Capital Adequacy and Other Increased Costs. In the event that after the Effective Date the adoption of or any change in any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to any Lender or Agent, or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by any Lender or Agent with any guideline, request or directive of any such authority (whether or not having the force of law), including any risk based capital guidelines, affects or would affect the amount of capital required or expected to be maintained by such Lender or Agent (or any corporation controlling such Lender or Agent) and such Lender or Agent, as the case may be, determines that the amount of such capital is increased by or based upon the existence of such Lender's or Agent's obligations or Advances hereunder and such increase has the effect of reducing the rate of return on such Lender's or Agent's (or such controlling corporation's) capital as a consequence of such obligations or Advances hereunder to a level below that which such Lender or Agent (or such controlling corporation) could have achieved but for such circumstances (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Lender or Agent to be material (collectively, "Increased Costs"), then Agent or such Lender shall notify the Company, and thereafter the Company shall pay to such Lender or Agent, as the case may be, from time to time, upon request by such Lender or Agent, additional amounts sufficient to compensate such Lender or Agent (or such controlling corporation) for any increase in the amount of capital and reduced rate of return which such Lender or Agent reasonably determines to be allocable to the existence of such Lender's or Agent's obligations or Advances hereunder; provided, however that the Company shall not be obligated to reimburse any Lender for any Increased Costs pursuant to this Section 11.10 unless such Lender notifies Company and the Agent within 180 days after such affected Lender has obtained actual knowledge of such Increased Costs (but in any event within 365 days after such affected Lender is required to comply with the applicable change in law). A statement as to the amount of such compensation, prepared in good faith and in reasonable detail by such Lender or Agent, as the case may be, shall be submitted by such Lender or by Agent to the Company, reasonably promptly after becoming aware of any event described in this Section 11.10 and shall be conclusive, absent manifest error in computation.

11.11 Substitution of Lenders. If (a) the obligation of any Lender to make Eurocurrency-based Advances has been suspended pursuant to Section 11.5 or 11.6 or (b) any

Lender has demanded compensation under Section 11.1 or 11.7, (in each case, an "Affected Lender"), then Company shall have the right (subject to Section 13.8 hereof), with the assistance of the Agent, to seek a substitute lender or lenders (which may be one or more of the Lenders (the "Purchasing Lender" or "Purchasing Lenders") to purchase the Advances of the Revolving Credit and assume the commitments (including without limitation its participations in Swing Line Advances and Letters of Credit) under this Agreement of such Affected Lender. The Affected Lender shall be obligated to sell its Advances of the Revolving Credit and assign its commitments to such Purchasing Lender or Purchasing Lenders within fifteen days after receiving notice from Company requiring it to do so, at an aggregate price equal to the outstanding principal amount thereof, plus unpaid interest accrued thereon up to but excluding the date of the sale. In connection with any such sale, and as a condition thereof, Company shall pay to the Affected Lender all fees accrued for its account hereunder to but excluding the date of such sale, plus, if demanded by the Affected Lender within ten Business Days after such sale, (i) the amount of any compensation which would be due to the Affected Lender under Section 11.1 if Company (or the applicable Permitted Borrower) has prepaid the outstanding Eurocurrency-based Advances of the Affected Lender on the date of such sale and (ii) any additional compensation accrued for its account under Sections 3.4, 11.7 and 11.10 to but excluding said date. Upon such sale, the Purchasing Lender or Purchasing Lenders shall assume the Affected Lender's commitment, and the Affected Lender shall be released from its obligations hereunder to a corresponding extent. If any Purchasing Lender is not already one of the Lenders, the Affected Lender, as assignor, such Purchasing Lender, as assignee, Company and the Agent, with the required consent of the Swing Line Bank shall enter into an Assignment Agreement pursuant to Section 13.8 hereof, whereupon such Purchasing Lender shall be a Lender party to this Agreement, shall be deemed to be an assignee hereunder and shall have all the rights and obligations of a Lender with a Percentage equal to its ratable share of the then applicable Revolving Credit Aggregate Commitment. In connection with any assignment pursuant to this Section 11.11, Company or the Purchasing Lender shall pay to the Agent the administrative fee for processing such assignment referred to in Section 13.8.

## 12. AGENTS

12.1 Appointment of Agent. Each Lender appoints and authorizes the Agent to act on behalf of such Lender under the Loan Documents and appoints and authorizes the Agent to exercise such powers hereunder and thereunder as are specifically delegated to or required of the Agent, as the case may be, by the terms hereof and thereof, together with such powers as may be reasonably incidental thereto. Each Lender agrees (which agreement shall survive any termination of this Agreement) to reimburse Agent for all reasonable out-of-pocket expenses (including in-house and outside attorneys' fees) incurred by Agent hereunder or in connection herewith or with an Event of Default or in enforcing the obligations of Company or any of the Permitted Borrowers under this Agreement or the other Loan Documents or any other instrument executed pursuant hereto (to the extent of Agent's powers hereunder or thereunder, as aforesaid), and for which Agent is not reimbursed by Company or such Permitted Borrower, pro rata according to such Lender's Percentage, but excluding any such expenses resulting from the gross negligence or willful



misconduct of such Agent, as applicable. Agent shall not be required to take any action under the Loan Documents, or to prosecute or defend any suit in respect of the Loan Documents, unless indemnified to their respective satisfaction by the Lenders against loss, costs, liability and expense (excluding liability resulting from its gross negligence or willful misconduct). If any indemnity furnished to Agent shall become impaired, it may call for additional indemnity and cease to do the acts indemnified against until such additional indemnity is given.

12.2 Deposit Account with Agent. Each of Company and the Permitted Borrowers hereby authorizes Agent to charge its general deposit account, if any, maintained with Agent for the amount of any principal, interest, or other amounts or costs due under this Agreement when the same becomes due and payable under the terms of this Agreement.

12.3 Exculpatory Provisions. The Agent agrees to exercise its rights and powers, and to perform its duties, as an agent hereunder and under the other Loan Documents in accordance with its usual customs and practices in bank-agency transactions, but only upon and subject to the express terms and conditions of this Section 12 (and no implied covenants or other obligations shall be read into this Agreement against the Agent); neither the Agent nor any of its directors, officers, employees or agents shall be liable to any Lender for any action taken or omitted to be taken by it or them under this Agreement or any document executed pursuant hereto, or in connection herewith or therewith, except for its or their own willful misconduct or gross negligence, nor be responsible for any recitals or warranties herein or therein, or for the effectiveness, enforceability, validity or due execution of this Agreement or any document executed pursuant hereto, or any security thereunder, or to make any inquiry respecting the performance by Company, any of its Subsidiaries or any of the Permitted Borrowers of its obligations hereunder or thereunder. Agent shall not have, or be deemed to have, a fiduciary relationship with any Lender by reason of this Agreement. Agent shall be entitled to rely upon advice of counsel concerning legal matters and upon any notice, consent, certificate, statement or writing which it believes to be genuine and to have been presented by a proper person.

12.4 Successor Agent. The Agent may resign as such at any time upon at least 30 days prior notice to Company and all Lenders. If Agent at any time shall resign or if a vacancy shall occur in the office of the Agent for any other reason, Required Lenders shall, by written instrument, appoint a successor Agent (consisting of any other Lender or financial institution satisfactory to such Required Lenders) which shall thereupon become Agent hereunder and shall be entitled to receive from the prior agent such documents of transfer and assignment as such successor agent may reasonably request. Such successor Agent shall succeed to all of the rights and obligations of the retiring agent as if originally named. The retiring agent shall duly assign, transfer and deliver to such successor Agent all moneys at the time held by the retiring agent hereunder after deducting therefrom its expenses for which it is entitled to be reimbursed. Upon such succession of any such successor agent, the retiring agent shall be discharged from its duties and obligations hereunder, except for its gross negligence or willful misconduct arising prior to its retirement hereunder, and the provisions of this Section 12 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as an agent hereunder.

12.5 Loans by Agent. The Agent shall have the same rights and powers with respect to the credit extended by it as any Lender and may exercise the same as if it were not an agent hereunder, and the term "Lender" and, when appropriate, "holder" shall include the Agent in its individual capacity.

12.6 Credit Decisions. Each Lender acknowledges that it has, independently of Agents and each other Lender and based on the financial statements of Company, the Permitted Borrowers and the Subsidiaries and such other documents, information and investigations as it has deemed appropriate, made its own credit decision to extend credit hereunder from time to time. Each Lender also acknowledges that it will, independently of Agents and each other Lender and based on such other documents, information and investigations as it shall deem appropriate at any time, continue to make its own credit decisions as to exercising or not exercising from time to time any rights and privileges available to it under this Agreement or any document executed pursuant hereto.

12.7 Notices by Agent. Agent shall give prompt notice to each Lender of its receipt of each notice or request required or permitted to be given to Agent by Company or a Permitted Borrower pursuant to the terms of this Agreement and shall promptly distribute to the Lenders any reports received from the Company or any of its Subsidiaries or any of the Permitted Borrowers under the terms hereof, or other material information or documents received by Agent, in its capacity Agent, from the Company, its Subsidiaries or the Permitted Borrowers.

12.8 Agent's Fees. Until the Indebtedness has been repaid and discharged in full and no commitment to fund any loan hereunder is outstanding, the Company shall pay to the Agent, as applicable, an agency fee(s) set forth (or to be set forth from time to time) in the Fee Letter on the terms set forth therein. The Agent's Fees described in this Section 12.8 shall not be refundable under any circumstances.

12.9 Nature of Agency. The appointment of Agent as Agent is for the convenience of Lenders, Company and the Permitted Borrowers in making Advances of the Revolving Credit or any other Indebtedness of Company or the Permitted Borrowers hereunder, collecting fees, and principal and interest on the Indebtedness, and otherwise administering this Agreement and the other Loan Documents according to the express terms hereof and thereof. No Lender is purchasing any Indebtedness from Agents (or either of them) and this Agreement is not intended to be a purchase or participation agreement (except to the extent of risk participations acquired pursuant to Section 3.6(c) hereof).

12.10 Authority of Agent to Enforce This Agreement. Each Lender, subject to the terms and conditions of this Agreement (including, without limitation, any required approval or direction of the Required Lenders or the Lenders, as applicable, to be obtained by or given to the Agent hereunder), authorizes the Agent with full power and authority as attorney-in-fact to institute and maintain actions, suits or proceedings for the collection of the Indebtedness and enforcement of this Agreement and the other Loan Documents and to file such proofs of debt or other documents as may be necessary to have the claims of the Lenders allowed in any proceeding relative to the Company, any of its Subsidiaries, any of the Permitted Borrowers or its creditors or affecting its properties, and to take such other actions which Agent considers to be necessary or desirable for the protection, collection and enforcement of the Indebtedness, this Agreement or the other Loan Documents, but in each case only to the extent of any required approval or direction of the Required Lenders or the Lenders, as applicable, obtained by or given to the Agent hereunder.

12.11 Indemnification. The Lenders agree to indemnify each of the Agents in their respective capacities as such, to the extent not reimbursed by the Company or the Permitted Borrowers, pro rata according to their respective Percentages, from and against any and all claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, and reasonable out-of-pocket expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agents in any way relating to or arising out of this Agreement or any of the other Loan Documents or any action taken or omitted to be taken or suffered in good faith by the Agents, or either of them, as the case may be, hereunder, provided that no Lender shall be liable to Agent or Syndication Agent, as the case may be, for any portion of any of the foregoing items resulting from the gross negligence or willful misconduct of such agent, or any of its officers, employees, directors or agents. For purposes of this Section 12.11, "Agent" shall be deemed to include Comerica Bank in its capacity as Swing Line Bank.

12.12 Knowledge of Default. It is expressly understood and agreed that Agent (whether in the capacity of Swing Line Bank or otherwise) shall be entitled to assume that no Default or Event of Default has occurred and is continuing, unless the officers of Agent immediately responsible for matters concerning this Agreement shall have actual (rather than constructive) knowledge of such occurrence or shall have been notified in writing by Company or a Lender that the Company or such Lender considers that a Default or an Event of Default has occurred and is continuing, and specifying the nature thereof. Upon obtaining actual knowledge of any Default or Event of Default as described above, the Agent shall promptly, but in any event within three (3) Business Days after obtaining actual knowledge thereof, notify each Lender of such Default or Event of Default and the action, if any, the Agent proposes be taken with respect thereto.

12.13 Agent's Authorization; Action by Lenders. Except as otherwise expressly provided herein, whenever the Agent is authorized and empowered hereunder on behalf of the Lenders to give any approval or consent, or to make any request, or to take any other action, on behalf of the Lenders (including without limitation the exercise of any right or remedy hereunder or under the other Loan Documents), the Agent shall be required to give such approval or consent, or to make such request or to take such other action only when so requested in writing by the Required Lenders or the Lenders, as applicable hereunder. Action that may be taken by Required Lenders or all of the Lenders, as the case may be (as provided for hereunder), may be taken (i) pursuant to a vote at a meeting (which may be held by telephone conference call) as to which all of the Lenders have been given reasonable advance notice (subject to the requirement that amendments, waivers or consents under Section 13.11 hereof be made in writing by the Required Lenders or all the Lenders, as applicable), or (ii) pursuant to the written consent of the requisite Percentages of the Lenders as required hereunder, provided that all of the Lenders are given reasonable advance notice of the requests for such consent.

12.14 Enforcement Actions by the Agent. Except as otherwise expressly provided under this Agreement or in any of the other Loan Documents and subject to the terms hereof, Agent will take such action, assert such rights and pursue such remedies under this Agreement and the other Loan Documents as the Required Lenders or all of the Lenders, as the case may be (as provided for hereunder), shall direct. Except as otherwise expressly provided in any of the Loan Documents, Agent will not (and will not be obligated to) take any action, assert any rights or pursue any remedies under this Agreement or any of the other Loan Documents in violation or

contravention of any express direction or instruction of the Required Lenders or all of the Lenders, as the case may be (as provided for hereunder). Agent may refuse (and will not be obligated) to take any action, assert any rights or pursue any remedies under this Agreement or any of the other Loan Documents in the absence of the express written direction and instruction of the Required Lenders or all of the Lenders, as the case may be (as provided for hereunder). In the event Agent fails, within a commercially reasonable time, to take such action, assert such rights, or pursue such remedies as the Required Lenders or all of the Lenders, as the case may be (as provided for hereunder), shall direct in conformity with this Agreement, the Required Lenders or all of the Lenders, as the case may be (as provided for hereunder), shall have the right to take such action, to assert such rights, or pursue such remedies on behalf of all of the Lenders unless the terms hereof otherwise require the consent of all the Lenders to the taking of such actions (in which event all of the Lenders must join in such action). Except as expressly provided above or elsewhere in this Agreement or the other Loan Documents, no Lender (other than the Agent, acting in its capacity as Agent) shall be entitled to take any enforcement action of any kind under any of the Loan Documents.

#### 12.15 Collateral Matters.

- (a) The Agent is authorized on behalf of all the Lenders, without the necessity of any notice to or further consent from the Lenders, from time to time to take any action with respect to any Collateral or the Collateral Documents which may be necessary to perfect and maintain a perfected security interest in and Liens upon the Collateral granted pursuant to the Loan Documents.
- (b) The Lenders agree to release, and hereby irrevocably authorize the Agent to release, (x) any Lien granted to or held by the Agent upon any Collateral (i) upon termination of the Revolving Credit Aggregate Commitment and payment in full of all Indebtedness payable under this Agreement and under any other Loan Document; or (ii) constituting property sold or to be sold or disposed of as part of or in connection with any express disposition permitted hereunder; (y) the Guaranty of any Subsidiary, but only in connection with the sale of all of the share capital of such Subsidiary and only to the extent that such sale is expressly permitted hereunder, and (z) any Lien granted to or held by the Agent upon any Collateral or any Guaranty issued hereunder, but only if and to the extent (i) required to be released under Section 7.17(b) hereof, or (ii) approved, authorized or ratified in writing by the Required Lenders, or all the Lenders, as the case may be, as provided in Section 13.11. Upon request by the Agent at any time, the Lenders will confirm in writing the Agent's authority to release particular types or items of Collateral pursuant to this Section 12.15(b).

12.16 Syndication Agent and Documentation Agents. Each of the following Lenders (or their affiliates) have been designated by the Company as a "Documentation Agent" under this Agreement: Wachovia Bank, National Association, Bank of America, N.A. and J.P. Morgan Chase Bank. Fleet Securities, Inc. has been designated by the Company as "Syndication Agent" under this Agreement. Bank Leumi has been designated a "Managing Agent" under this Agreement. Other than their respective rights and remedies as Lenders hereunder, such Documentation Agents, the Managing Agent and the Syndication Agent shall have no

administrative, collateral or other rights or responsibilities, provided, however, that each such Documentation Agent and Syndication Agent shall be entitled to the benefits afforded to the Agents under Sections 12.5, 12.6 and 12.11 hereof.

### 13. MISCELLANEOUS

13.1 Accounting Principles. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, it shall be done in accordance with GAAP.

13.2 Consent to Jurisdiction. Each of the Company and the Permitted Borrowers hereby irrevocably submits to the non-exclusive jurisdiction of any United States Federal or Michigan state court sitting in Detroit in any action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents and each of the Company and the Permitted Borrowers hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in any such United States Federal or Michigan state court. Each of the Permitted Borrowers irrevocably appoints the Company as its agent for service of process. Each of the Company and the Permitted Borrowers irrevocably consents to the service of any and all process in any such action or proceeding brought in any court in or of the State of Michigan by the delivery of copies of such process to the Company at its address specified on the signature page hereto or by certified mail directed to such address. Nothing in this Section shall affect the right of the Lenders and the Agent to serve process in any other manner permitted by law or limit the right of the Lenders or the Agent (or any of them) to bring any such action or proceeding against the Company or the Permitted Borrowers or any of its or their property in the courts of any other jurisdiction. Each of the Company and the Permitted Borrowers hereby irrevocably waives any objection to the laying of venue of any such suit or proceeding in the above described courts.

13.3 Law of Michigan. This Agreement has been delivered at Detroit, Michigan, and shall be governed by and construed and enforced in accordance with the laws of the State of Michigan. Whenever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

13.4 Interest. In the event the obligation of the Company or any of the Permitted Borrowers to pay interest on the principal balance of the outstanding Advances is or becomes in excess of the maximum interest rate which the Company or any Permitted Borrower is permitted by law to contract or agree to pay, giving due consideration to the execution date of this Agreement, then, in that event, the rate of interest applicable with respect to any Lender's Percentage of the Revolving Credit, as applicable, shall be deemed to be immediately reduced to such maximum rate and all previous payments in excess of the maximum rate shall be deemed to have been payments in reduction of principal and not of interest.

13.5 Closing Costs; Other Costs. Company shall pay or reimburse Agents for their own accounts or on behalf of the Lenders for payment of, on demand (a) all closing costs and expenses, including, by way of description and not limitation, in-house and outside attorney fees and advances, appraisal and accounting fees, title and lien search fees, and required travel costs, incurred by Agents (and either of them) in connection with the commitment, consummation and closing of the loans contemplated hereby, or in connection with any refinancing or restructuring of the loans or advances provided under this Agreement or the other Loan Documents, or any amendment thereof or waiver or consent with respect thereto requested by Company; and (b) all stamp and other taxes and fees payable or determined to be payable (by either of the Agents or any Lender) in connection with the execution, delivery, filing or recording of this Agreement and the Loan Documents and the consummation of the transactions contemplated hereby, and any and all liabilities with respect to or resulting from any delay in paying or omitting to pay such taxes or fees. Furthermore, all reasonable costs and expenses, including without limitation attorney fees, and costs and expenses to Environmental Auditors retained by Agent hereunder, incurred by Agents (and either of them) in revising, preserving, protecting, exercising or enforcing any of its or any of the Lenders' rights against Company or any of the Permitted Borrowers, or otherwise incurred by Agents and by the Lenders (using a single law firm retained by Agent, with the approval of the Required Lenders) in connection with any Event of Default or the enforcement of the loans (whether incurred through negotiations, legal proceedings or otherwise), including by way of description and not limitation, such charges in any court or bankruptcy proceedings or arising out of any claim or action by any person against Agents (and either of them) or any Lender which would not have been asserted were it not for the Agents' or such Lender's relationship with Company and the Permitted Borrowers hereunder or otherwise, shall also be paid by Company and the Permitted Borrowers. All of said amounts required to be paid by Company hereunder and not paid forthwith upon demand, as aforesaid, shall bear interest, from the date incurred to the date payment is received by Agents, as applicable, at the Prime-based Rate, plus three percent (3%).

13.6 Notices. Except as otherwise expressly set forth in this Agreement, all notices and other communications provided to any party hereto under this Agreement or any other Loan Document shall be in writing and shall be given by personal delivery, by mail, by reputable overnight courier, by telex or by facsimile and addressed or delivered to it at its address set forth on the Administrative Detail forms on file with the Agent or at such other address as may be designated by such party in a notice to the other parties that complies as to delivery with the terms of this Section 13.6. Any notice, if personally delivered or if mailed and properly addressed with postage prepaid and sent by registered or certified mail, shall be deemed given when received or when delivery is refused; any notice, if given to a reputable overnight courier and properly addressed, shall be deemed given two (2) Business Days after the date on which it was sent, unless it is actually received sooner by the named addressee; and any notice, if transmitted by telex or facsimile, shall be deemed given when received (answer back confirmed in the case of telexes and receipt confirmed in the case of telecopies). Agents may, but, except as specifically provided herein, shall not be required to, take any action on the basis of any notice given to it by telephone, but the giver of any such notice shall promptly confirm such notice in writing or by telex or facsimile, and such notice will not be deemed to have been received until such confirmation is deemed received in accordance with the provisions of this Section set forth above. If such telephonic notice conflicts with any such confirmation, the terms of such telephonic notice shall control.

13.7 Further Action. Company and the Permitted Borrowers, from time to time, upon written request of Agents will make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered, all such further and additional instruments, and take all such further action, as may be required to carry out the intent and purpose of this Agreement, and to provide for Advances under this Agreement, according to the intent and purpose herein and therein expressed.

13.8 Successors and Assigns; Assignments and Participations.

- (a) This Agreement shall be binding upon and shall inure to the benefit of Company and the Permitted Borrowers and the Lenders and their respective successors and assigns.
- (b) The foregoing shall not authorize any assignment by Company or any of the Permitted Borrowers, of its rights or duties hereunder, and no such assignment shall be made (or effective) without the prior written approval of the Lenders.
- (c) The Company, Permitted Borrowers and Agents acknowledge that each of the Lenders may at any time and from time to time, subject to the terms and conditions hereof (including Section 13.14 hereof), (i) assign or grant participations in such Lender's rights and obligations hereunder and under the other Loan Documents to any commercial bank, savings and loan association, insurance company, pension fund, mutual fund, commercial finance company or other similar financial institution, the identity of which institution is approved by Company and the Agent, such approval not to be unreasonably withheld or delayed; provided, however, that (x) the approval of Company shall not be required upon the occurrence and during the continuance of a Default or Event of Default and (y) the approval of Company and Agent shall not be required for any such sale, transfer, assignment or participation to the Affiliate of an assigning Lender, any other Lender or any Federal Reserve Bank and (ii) grant to an SPFV the option to fund all or any part of any Advance that the Granting Lender would otherwise be obligated to fund pursuant to this Agreement; provided, however, that (A) nothing herein shall constitute a commitment by any SPFV to fund any Advance, but if an SPFV elects not to fund all or any part of an Advance hereunder, the Granting Lender shall be obligated to fund such Advance pursuant to the terms hereof; (B) the funding of any Advance by an SPFV hereunder shall be credited against the applicable commitment of the Granting Lender to fund such Advance to the same extent as, and as if, such Advance were funded by such Granting Lender and any payments in respect of an Advance (or portion thereof) previously funded by any SPFV shall be paid, for the account of such SPFV, to its Granting Lender, as agent for such SPFV; (C) each SPFV shall have all the rights that a Lender making such Advances or any portion thereof would have had under this Agreement (provided that each SPFV shall have granted to its Granting Lender an irrevocable power of attorney to deliver and receive all communications and notices under this Agreement and the other Loan Documents and to exercise on behalf of such SPFV all such SPFV's voting rights under this Agreement) and no additional Note or other instrument shall be required to

evidence the Advances or portion thereof funded by any SPFV, each related Granting Lender being deemed to hold its Note as agent for such SPFV to the extent of the Advances or portion thereof funded by such SPFV; (D) Company and Agent agree that no SPFV shall be liable for any indemnity or payment under this Agreement for which a Granting Lender would otherwise be liable so long as, and to the extent, the Granting Lender provides such indemnity or makes such payment, as the case may be; and (E) an SPFV may, at any time and without paying any processing fee therefor, assign or participate all or a portion of its interest in any Advances to the Granting Lender or to any financial institutions providing liquidity and/or credit support to or for the account of SPFV to support the funding or maintenance of Advances (provided that the rights of any such assignee or participant shall be subject to and limited as set forth in this clause (ii) of Section 13.8(c)). The Company and each of Permitted Borrowers authorize each Lender to disclose to any prospective assignee or participant, once approved by Company and Agent and to any assignee under an assignment not required to be approved by the Company pursuant to clauses (x) and (y) of the first proviso of this Section 13.8(c) and to an SPFV (and on a confidential basis to any Rating Agency, commercial paper dealer or provider of any surety or guaranty to such SPFV), any and all financial information in such Lender's possession concerning the Company and such Permitted Borrower which has been delivered to such Lender pursuant to this Agreement; provided that each such prospective participant shall execute a confidentiality agreement consistent with the terms of Section 13.13 hereof. Clause (ii), the definition of "Granting Lender," and the immediately preceding sentence of this Section 13.8(c) may not be amended without the prior written consent of each Granting Lender, all or any part of whose Advances are being funded by an SPFV at the time of any such amendment; and each party hereto agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPFV, it will not, on the basis of any claim or matter arising under or in connection with or otherwise relating to this Agreement, institute against, or join any other person in instituting against such SPFV any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States of America or any state or political subdivision thereof.

- (d) Each assignment by a Lender of any portion of its rights and/or obligations hereunder and under the other Loan Documents, other than assignments to such Lender's Affiliates or to a Federal Reserve Bank under Section 13.8(c)(ii) hereof, shall be made pursuant to an Assignment Agreement ("Assignment Agreement") substantially (as determined by Agent), in the form attached hereto as Exhibit E (with appropriate insertions acceptable to Agent) and shall be subject to the terms and conditions hereof, and to the following restrictions:
- (i) each partial assignment shall be made as an assignment of a part of all of the assigning Lender's rights and obligations hereunder;



- (ii) each assignment shall be in a minimum amount of the lesser of (x) Five Million Dollars (\$5,000,000) and (y) the entire remaining amount of assigning Lender's interest in the Revolving Credit (and participations in any outstanding Letters of Credit); provided however that, after giving effect to such assignment, in no event shall the entire remaining amount (if any) of assigning Lender's interest in the Revolving Credit (and participations in any outstanding Letters of Credit) be less than \$5,000,000;
- (iii) no assignment shall be effective unless Agent has received from the assignee (or from the assigning Lender) an assignment fee of \$3,500 for each such assignment.

In connection with any assignment subject to this Section 13.8(d), Company, each of the Permitted Borrowers and Agents shall be entitled to continue to deal solely and directly with the assigning Lender in connection with the interest so assigned until the Agent shall have received a notice of assignment duly executed by the assigning Lender and an Assignment Agreement (with respect thereto) duly executed by the assigning Lender and each assignee; and (y) the assigning Lender shall have delivered to the Agent the original of each Note, if any, issued to such Lender, held by the assigning Lender under this Agreement. From and after the date on which the Agents shall notify Company and the Lender which has accepted an assignment subject to this Section 13.8(d) that the foregoing conditions shall have been satisfied and all consents (if any) required shall have been given, the assignee thereunder shall be deemed to be a party to this Agreement. To the extent that rights and obligations hereunder shall have been assigned to such assignee as provided in such notice of assignment (and Assignment Agreement), such assignee shall have the rights and obligations of a Lender under this Agreement and the other Loan Documents (including without limitation the right to receive fees payable hereunder in respect of the period following such assignment). In addition, the assigning Lender, to the extent that rights and obligations hereunder shall have been assigned by it as provided in such notice of assignment (and Assignment Agreement), but not otherwise, shall relinquish its rights and be released from its obligations under this Agreement and the other Loan Documents. Schedule 1.1 to this Agreement shall be deemed to be amended to reflect the applicable new Percentages of the Lenders (including the assignee Lender), taking into account such assignment.

- (e) Each Lender agrees that any participation agreement permitted hereunder shall comply with all applicable laws and shall be subject to the following restrictions (which shall be set forth in the applicable participation agreement):
  - (i) such Lender shall remain the holder of its interest in the Indebtedness hereunder, notwithstanding any such participation;

- (ii) except as expressly set forth in this Section 13.8(e) with respect to rights of setoff and the benefits of Section 11 hereof, a participant shall have no direct rights or remedies hereunder;
- (iii) such Lender shall retain the sole right and responsibility to enforce the obligations of the Company and Permitted Borrowers relating to this Agreement and the other Loan Documents, including, without limitation, the right to proceed against any Guarantors, or cause Agent to do so (subject to the terms and conditions hereof), and the right to approve any amendment, modification or waiver of any provision of this Agreement without the consent of the participant, except in the case of participations granted to an Affiliate of such Lender and except for those matters covered by Section 13.11(a) through (e) and (h) hereof (provided that a participant may exercise approval rights over such matters only on an indirect basis, acting through such Lender, and Company, Permitted Borrowers, Agent and the other Lenders may continue to deal directly with such Lender in connection with such Lender's rights and duties hereunder).

Company and each of the Permitted Borrowers each agrees that each participant shall be deemed to have the right of setoff under Section 10.4 hereof in respect of its participation interest in amounts owing under this Agreement and the other Loan Documents to the same extent as if the Indebtedness were owing directly to it as a Lender under this Agreement, shall be subject to the pro rata recovery provisions of Section 10.3 hereof and shall be entitled to the benefits of Section 11 hereof. The amount, terms and conditions of any participation shall be as set forth in the participation agreement between the issuing Lender and the Person purchasing such participation, and the Company, the Permitted Borrowers, the Agents and the other Lenders shall not have any responsibility or obligation with respect thereto, or to any Person to whom any such participation may be issued. No such participation shall relieve any issuing Lender of any of its obligations under this Agreement or any of the other Loan Documents, and all actions hereunder shall be conducted as if no such participation had been granted.

- (f) The Agent shall maintain at its principal office a copy of each Assignment Agreement delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders, the Percentages of such Lenders and the principal amount of each type of Advance owing to each such Lender from time to time. The entries in the Register shall be conclusive evidence, absent manifest error, and the Company, the Permitted Borrowers, the Agent, and the Lenders may treat each Person whose name is recorded in the Register as the owner of the Advances recorded therein for all purposes of this Agreement. The Register shall be available for inspection by the Company, the Permitted Borrowers or any Lender upon reasonable notice to the Agent and a copy of such information shall be provided to any such party on their prior written request. The Agent shall give prompt written notice to the Company of the making of any entry in the Register or any change in such entry.

- (g) Nothing in this Agreement, or the other Loan Documents, expressed or implied, is intended to or shall confer on any Person other than the respective parties hereto and thereto and their successors and assignees and participants permitted hereunder and thereunder any benefit or any legal or equitable right, remedy or other claim under this Agreement, or the other Loan Documents.

13.9 Indulgence. No delay or failure of Agents and the Lenders in exercising any right, power or privilege hereunder shall affect such right, power or privilege nor shall any single or partial exercise thereof preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights of Agents and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies which Agents and the Lenders would otherwise have.

13.10 Counterparts. This Agreement may be executed in several counterparts, and each executed copy shall constitute an original instrument, but such counterparts shall together constitute but one and the same instrument.

13.11 Amendment and Waiver. No amendment or waiver of any provision of this Agreement or any other Loan Document, or consent to any departure by the Company or the Permitted Borrowers therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders (or signed by the Agent at the direction of the Required Lenders), and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that (X) no amendment, waiver or consent shall increase the Percentage or the stated commitment amounts applicable to any Lender unless approved, in writing, by the affected Lender and (Y) no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (a) increase the Revolving Credit Aggregate Commitment to an amount greater than \$400,000,000, (b) reduce the principal of, or interest on, the Advances or any Fees or other amounts payable hereunder, (c) postpone any date fixed for any payment of principal of, or interest on, the outstanding Advances or any Fees or other amounts payable hereunder, (d) waive any Event of Default specified in Section 9.1(a) or (b) hereof, (e) release or defer the granting or perfecting of a lien or security interest in any Collateral or release any guaranty or similar undertaking provided by any Person or modify any indemnity provided to the Lenders, hereunder or under the other Loan Documents, except as shall be otherwise expressly provided in this Agreement or any other Loan Document, (f) take any action which requires the signing of all Lenders pursuant to the terms of this Agreement or any other Loan Document, (g) change the aggregate unpaid principal amount of the outstanding Advances which shall be required for the Lenders or any of them to take any action under this Agreement or any other Loan Document, (h) change this Section 13.11, or (i) change the definition of "Required Lenders", "Interest Periods", "Alternative Currencies", "Permitted Borrower" or "Percentage"; and provided further, however, that no amendment, waiver or consent hereunder shall, unless in writing and signed (x) by the Agent, in addition to all the Lenders, affect the rights or duties of the Agent under this Agreement or any other Loan Document, whether in its capacity as Agent or the issuing bank or (y) by the Swing Line Bank, in addition to all the Lenders, affect the rights or duties of the Swing Line Bank under this Agreement or any other Loan Documents, in its capacity as Swing Line Bank. All references in this Agreement to "Lenders" or "the Lenders" shall refer to all Lenders, unless expressly stated to refer to "Required Lenders."

13.12 Taxes and Fees. Should any tax (other than a tax based upon the net income of any Lender or Agents (or either of them) by any jurisdiction where a Lender or Agent is located), recording or filing fee become payable in respect of this Agreement or any of the other Loan Documents or any amendment, modification or supplement hereof or thereof, the Company and each of the Permitted Borrowers agree to pay the same together with any interest or penalties thereon and agree to hold the Agent and the Lenders harmless with respect thereto.

13.13 Confidentiality. Each Lender agrees that without the prior consent of Company, it will not disclose (other than to its employees or to employees of any of its Affiliates, to another Lender or to any of their respective auditors or counsel) any information with respect to the Company or any of its Subsidiaries or any of the Permitted Borrowers which is furnished pursuant to the terms and conditions of this Agreement or any of the other Loan Documents or which is designated (in writing) by Company or any of the Permitted Borrowers to be confidential; provided that any Lender may disclose any such information (a) as has become generally available to the public or has been lawfully obtained by such Lender from any third party under no duty of confidentiality to the Company or such Permitted Borrower known to such Lender after reasonable inquiry, (b) as may be required or appropriate in any report, statement or testimony submitted to, or in respect of any inquiry by, any municipal, state or federal regulatory body having or claiming to have jurisdiction over such Lender, including the Board of Governors of the Federal Reserve System of the United States or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States or elsewhere) or their successors, (c) as may be required or appropriate in respect of any summons or subpoena or in connection with any litigation, (d) in order to comply with any law, order, regulation or ruling applicable to such Lender, and (e) to any permitted transferee or assignee or to any approved participant of, or with respect to, an interest in this Agreement and the other Loan Documents, as aforesaid, and (f) with respect to the "tax treatment" and "tax structure," in each case, within the meaning of I.R.C. Regulation Section 1.6011-4, of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to Agent or such Bank relating to such tax treatment and tax structure, to the extent required to be disclosed pursuant to such regulation or the Internal Revenue Code, provided that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall only apply to such portions of the document or similar item that relate to the tax treatment or tax structure of the transactions contemplated hereby.

13.14 Withholding Taxes. If any Lender is not incorporated under the laws of the United States or a state thereof, such Lender shall deliver to the Agent and the Company promptly upon becoming a Lender hereunder and from time to time as reasonably requested by the Company (but in any event prior to the initial payment of interest hereunder) two executed copies of (i) Internal Revenue Service Form W-8 BEN or applicable successor form specifying the applicable tax treaty between the United States and the jurisdiction of such Lender's domicile which provides for the exemption from withholding on interest payments to such Lender, (ii) Internal Revenue Service Form W-8 ECI or applicable successor form evidencing that the income to be received by such Lender hereunder is effectively connected with the conduct of a trade or business in the United States or (iii) other evidence satisfactory to the Agent that such Lender is exempt from United States income tax withholding with respect to such income; provided, however, that such Lender shall not be required to deliver to Agent the aforesaid forms

or other evidence with respect to (i) Advances to any Foreign Subsidiary which is or becomes a Permitted Borrower hereunder or (ii) with respect to Advances to the Company or any Domestic Subsidiary which subsequently becomes a Permitted Borrower hereunder, if such Lender has assigned its interest in the Revolving Credit (including any outstanding Advances thereunder and participations in Letters of Credit issued hereunder) and any Notes issued to it by the Company, or any Domestic Subsidiary (if any) which subsequently becomes a Permitted Borrower hereunder, to an Affiliate which is incorporated under the laws of the United States or a state thereof, and so notifies the Agent. Such Lender shall amend or supplement any such form or evidence as required to insure that it is accurate, complete and non-misleading at all times. Promptly upon notice from the Agent of any determination by the Internal Revenue Service that any payments previously made to such Lender hereunder were subject to United States income tax withholding when made, such Lender shall pay to the Agent the excess of the aggregate amount required to be withheld from such payments over the aggregate amount actually withheld by the Agent. In addition, from time to time upon the reasonable request and at the sole expense of the Company or the Permitted Borrowers, each Lender and each of the Agents shall (to the extent it is able to do so based upon applicable facts and circumstances), complete and provide the Company or the Permitted Borrowers with such forms, certificates or other documents as may be reasonably necessary to allow the Company or the Permitted Borrowers, as applicable, to make any payment under this Agreement or the other Loan Documents without any withholding for or on the account of any tax under Section 10.1(d) hereof (or with such withholding at a reduced rate), provided that the execution and delivery of such forms, certificates or other documents does not adversely affect or otherwise restrict the right and benefits (including without limitation economic benefits) available to such of the Lender or the Agents, as the case may be, under this Agreement or any of the other Loan Documents, or under or in connection with any transactions not related to the transactions contemplated hereby.

13.15 ERISA Restrictions. To the extent any Advance hereunder is funded by or on behalf of an insurance company, bank, or other Person deemed to hold assets of any employee benefit plan subject to ERISA or other plan as defined in and subject to the prohibited transaction provisions of Section 4975 of the Internal Revenue Code pursuant to applicable Department of Labor regulations (the "Plan Asset Regulations"), or any such plan acting on its own behalf, such insurance company, bank, entity or plan warrants and represents that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by such insurance company, bank, entity or plan to fund the Advance(s) hereunder:

- (a) the Source consists of plan assets subject to the discretionary authority or control of an in-house asset manager ("INHAM") as such term is defined in Section IV(a) of Prohibited Transaction Class Exemption 96-23 (issued April 10, 1996) ("PTCE 96-23"), and the funding of the Advance(s) hereunder is exempt under the provisions of PTCE 96-23; or
- (b) the Source is an "insurance company general account" as such term is defined in Section V(e) of Prohibited Transaction Class Exemption 95-60 (issued July 12, 1995) ("PTCE 95-60"), and the funding of the Advance(s) hereunder is exempt under the provisions of PTCE 95-60; or

- (c) the Source is either (x) an insurance company pooled separate account, within the meaning of Prohibited Transaction Class Exemption 90-1 (issued January 29, 1990) ("PTCE 90-1") or (y) a bank collective investment fund, within the meaning of Prohibited Transaction Class Exemption 91-38 (issued July 12, 1991) ("PTCE 91-38") and, except as such insurance company or bank has disclosed to the Company in writing pursuant to this paragraph (ii), no plan or group of plans maintained by the same employer or employee organization, beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; and, in either such case, all records necessary to establish the availability of each exemption by reason thereof will be maintained and made available as required by the terms of such exemption; or
- (d) the Source is an "investment fund" (within the meaning of Part V of Prohibited Transaction Class Exemption 84-14 (issued March 13, 1984) (the "QPAM Exemption")) managed by a "qualified professional asset manager" ("QPAM") within the meaning of Part V of the QPAM exemption) which has been identified pursuant to this paragraph (iii), such that the funding of the Advance(s) by or on behalf of such investment fund is exempt from the application of the prohibited transaction rules of ERISA and Section 4975 of the Internal Revenue Code, provided that no party to the transactions described in this Agreement and no affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such party has, or at any time during the immediately preceding year exercised, the authority to appoint or terminate the identified QPAM as manager of the assets of any employee benefit plan that has an interest in such investment fund (which plans have been identified pursuant to this paragraph (iii)) or to negotiate the terms of said QPAM's management agreement on behalf of any such identified plan; or
- (e) the Source is a "governmental plan" as defined in Title 1, Section 3(32) of ERISA; or
- (f) the Source is one or more "employee benefit plans" (or other plan as defined in and subject to Section 4975 of the Internal Revenue Code) or a separate account, trust fund, or other entity comprised of one or more such plans (determined after giving effect to the Plan Asset Regulations) each of which has been identified to the Company in writing pursuant to this paragraph (v); or
- (g) the Source does not include assets of any employee benefit plan or other plan, other than a plan exempt from coverage under ERISA and from the prohibited transactions of Section 4975 of the Internal Revenue Code.

13.16 Effective Date. This Agreement shall become effective upon the Effective Date, and shall remain effective until the Indebtedness has been repaid and discharged in full and no commitment to extend any credit hereunder remains outstanding. Those Permitted Borrowers not signatories to this Agreement on the Effective Date shall become obligated hereunder (and shall be deemed parties to this Agreement) upon the execution and delivery, according to the terms and conditions set forth in Section 2.1 hereof, of the Permitted Borrower Addendum.

13.17 Severability. In case any one or more of the obligations of the Company or any of the Permitted Borrowers under this Agreement, or any of the other Loan Documents shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining obligations of the Company or such Permitted Borrower shall not in any way be affected or impaired thereby, and such invalidity, illegality or unenforceability in one jurisdiction shall not affect the validity, legality or enforceability of the obligations of the Company or such Permitted Borrower under this Agreement or any of the other Loan Documents in any other jurisdiction.

13.18 Table of Contents and Headings; Construction of Certain Provisions. The table of contents and the headings of the various subdivisions hereof are for convenience of reference only and shall in no way modify or affect any of the terms or provisions hereof. If any provision of this Agreement or any of the other Loan Documents refers to any action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person, whether or not expressly specified in such provision.

13.19 Independence of Covenants. Each covenant hereunder shall be given independent effect (subject to any exceptions stated in such covenant) so that if a particular action or condition is not permitted by any such covenant (taking into account any such stated exception), the fact that it would be permitted by an exception to, or would be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or such condition exists.

13.20 Reliance on and Survival of Various Provisions. All terms, covenants, agreements, representations and warranties of the Company or any party to any of the Loan Documents made herein or in any of the other Loan Documents or in any certificate, report, financial statement or other document furnished by or on behalf of the Company, any such party in connection with this Agreement or any of the other Loan Documents shall be deemed to have been relied upon by the Lenders, notwithstanding any investigation heretofore or hereafter made by any Lender or on such Lender's behalf, and those covenants and agreements of the Company and the Permitted Borrowers set forth in Section 11.8 hereof (together with any other indemnities of the Company or the Permitted Borrowers contained elsewhere in this Agreement or in any of the other Loan Documents and of Lenders set forth in Sections 12.1, 12.12 and 13.13 hereof shall, notwithstanding anything to the contrary contained in this Agreement, survive the repayment in full of the Indebtedness and the termination of any commitments to make Advances hereunder.

13.21 Lien Release and Revival. Agent, on behalf of the Lenders, shall be entitled to retain a first perfected security interest in and Liens on all Collateral until the occurrence of the following events: (a) the Debt issued pursuant to the BCC Replacement Refinancing has been converted into equity, and (b) the rated Senior Debt of the Company (following such conversion) has a rating of BB+ or better from S&P and a rating of Ba1 or better from Moody's. Upon the occurrence of the events specified in subsections (a) and (b), as aforesaid, and so long as no Default or Event of Default shall have occurred and be continuing, the Agent, on behalf of the Lenders, shall release its security interest in and Liens on Collateral (excluding any pledge of or Lien on any equity interests of the Company or any of its Subsidiaries and any Lien on

Intercompany Notes), and shall promptly file appropriate UCC-3 termination statements evidencing such release in all applicable jurisdictions. If, at any time after the Agent's initial release of Liens, the Company is no longer in compliance with the condition specified in subsection (b) above, the grant of Lien and other obligations of the Company and its Subsidiaries under the Security Agreements, to the extent previously released, shall again automatically be effective without any further action or consent on the part of the Company, any Subsidiary or any party thereto. In addition, the Company and each Subsidiary hereby irrevocably authorizes the Agent at any time and from time to time to re-file in any filing office in any UCC jurisdiction any financing statements and amendments thereto that (x) indicate any or all of the Collateral upon which the Company and its Subsidiaries have granted a Lien, and (y) provide any other information required by Part 5 of Article 9 of the Uniform Commercial Code, upon the Company's failure to satisfy, at any time, the requirements set forth in subsection (b) above. The Company and its Subsidiaries shall provide the Agent with any information it may require in order to prepare and re-file such financing statements. Following such re-filing, the Agent, on behalf of the Lenders, shall have a first perfected security interest in and Lien on all Collateral. In addition, upon the Company's failure to satisfy, at any time, the requirements set forth in subsection (b) above, Company hereby agrees that it will, and will cause its Subsidiaries to, execute such additional documentation, including Security Agreements or Reaffirmation of Security Agreements as Agent or the Required Lenders shall reasonably require to ensure the Agent's Lien on all Collateral.

13.22 Complete Agreement; Amendment and Restatements. This Agreement, the Notes (if issued), any Requests for Advance or Letters of Credit hereunder, the other Loan Documents and any agreements, certificates, or other documents given to secure the Indebtedness, contain the entire agreement of the parties hereto, and none of the parties hereto shall be bound by anything not expressed in writing. This Agreement constitutes an amendment and restatement of the Prior Credit Agreement, which Prior Credit Agreement is fully superseded and amended and restated in its entirety hereby; provided, however, that the Indebtedness governed by the Prior Credit Agreement shall remain outstanding and in full force and effect and provided further that this Agreement does not constitute a novation of such Indebtedness.

[SIGNATURES FOLLOW ON SUCCEEDING PAGES]



WITNESS the due execution hereof as of the day and year first above written.

COMPANY:  
VISHAY INTERTECHNOLOGY, INC.

AGENT:  
COMERICA BANK, As Agent

By: /s/ Richard N. Grubb  
-----

By: /s/  
-----

Its: Executive Vice President,  
Chief Financial Officer and  
Director  
63 Lincoln Highway  
Malvern, Pennsylvania 19355

Its: Vice President  
One Detroit Center  
500 Woodward Avenue  
Detroit, Michigan 48226  
Attention: Corporate Finance

PERMITTED BORROWERS:

VISHAY EUROPE GmbH

By: /s/ Richard N. Grubb  
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Its: Vice President

VISHAY ELECTRONIC GmbH

By: /s/ Richard N. Grubb  
-----

Its: Vice President

COMERICA BANK, individually, as  
Swing Line Bank and as Issuing Bank

By: /s/ -----

Its: Vice President  
-----

FLEET NATIONAL BANK

By: /s/

-----

Its: Director

-----

JP Morgan Chase Bank

By: Robert M. Stanchak

-----

Its: Vice President

-----

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/

-----

Its: Director

-----

BANK OF AMERICA N.A.

By: /s/

-----

Its: Principal

-----

BANK LEUMI USA

By: /s/ \_\_\_\_\_ /s/ \_\_\_\_\_

Its: AVP \_\_\_\_\_ SVP \_\_\_\_\_

BANK HAPOLIM B.M.,  
NEW YORK BRANCH

By: /s/ Boaz Dan

-----

Its: First Vice President

-----

By: /s/ Maxie Levy

-----

Its: Vice President

-----



KEYBANK NATIONAL ASSOCIATION

By: /s/

-----

Its: Vice President

-----

BANK OF TOKYO-MITSUBISHI TRUST  
COMPANY

By: /s/ K. Ossolinski

-----

Its: Vice President

-----

THE BANK OF NOVA SCOTIA

By: /s/

-----

Its: Managing Director

-----

WESTLB AG, New York Branch

By: /s/ Salvator Battinelli

-----

Its: Managing Director

-----

By: /s/ Pascal Kabemba

-----

Its: Associate Director

-----

ISRAEL DISCOUNT BANK OF NEW YORK

By: /s/ Stephen R. Shapiro  
-----

Its: FVP  
-----

By: /s/ Mel Altman  
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Its: OP  
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## SEVERANCE AND GENERAL RELEASE AGREEMENT

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This SEVERANCE AND GENERAL RELEASE AGREEMENT ("Agreement") is made and entered into as of November 4, 2003, by and between Vishay Intertechnology, Inc., a Delaware corporation ("Vishay"), and Avi Eden, an individual (the "Executive").

## W I T N E S S E T H:

WHEREAS, Executive is currently a member of the Board of Directors, a Vice Chairman of the Board of Directors and an Executive Vice President of Vishay;

WHEREAS, Executive desires to resign his employment with Vishay, effective as of the date hereof, and Vishay desires to accept such resignation, subject to the terms and conditions set forth below;

NOW, THEREFORE, Vishay and Executive, each intending to be legally bound, hereby mutually covenant and agree as follows:

1. Resignation. In consideration of the terms and conditions of this Agreement, Executive will cease to serve in any executive positions of Vishay, including as a member of the Board of Directors, a Vice Chairman of the Board of Directors and an Executive Vice President of Vishay, and will terminate his employment with Vishay, effective as of the date hereof. In addition, Executive shall resign from all positions with any subsidiaries of Vishay as and when requested by Vishay from time to time following the date hereof.

2. Consideration. In consideration of Executive's past services to Vishay, and in consideration for entering into this Agreement, Vishay agrees to pay Executive the consideration set forth below.

(a) Bonus. Vishay shall pay Executive three-quarters (3/4) of the performance-based annual cash and/or stock bonus that would otherwise have been payable to Executive for the calendar year ended December 31, 2003, as described in the "Report on Executive Compensation" in Vishay's proxy statement dated April 21, 2003 under the section entitled "Executive Officers and Key Management" and at the time that such bonus would otherwise have been payable.

(b) Additional Payments.

(i) Vishay shall pay Executive a lump sum cash payment of \$1,000,000, payable within fifteen (15) days of the date hereof.

(ii) Vishay shall pay Executive an aggregate of \$1,400,000, payable in 108 equal monthly installments of \$12,962.96 commencing in January, 2004, in accordance with Vishay's standard payroll practices for employees in Malvern, Pennsylvania (i.e. monthly, bi-monthly or bi-weekly as the case may be).

1

(c) Automobile Lease. Executive shall be permitted to use the BMW automobile which Vishay has leased for Executive's use, and Vishay shall pay or reimburse Executive for all expenses related thereto, until the lease expires, at which time Executive shall immediately return such automobile to Vishay.

(d) Restricted Shares. On the later of November 3, 2003 and two days after the release of Vishay's earnings for the fiscal quarter ended September 30, 2003, all contractual restrictions on shares of common stock of Vishay held by Executive pursuant to the Vishay Employee Stock Plan shall lapse and such shares of common stock shall become fully vested and nonforfeitable. At Executive's request, Vishay shall promptly remove any legends on Executive's shares of common stock relating to the foregoing restrictions.

(e) Continuation of Benefits. From the date hereof until December 31, 2003, Vishay shall continue to include Executive in its group welfare plans, including term life insurance, medical insurance and long-term disability insurance. If, however, Vishay is unable to include Executive in its group welfare plans under the terms of such plans, Vishay shall reimburse Executive for the reasonable cost of obtaining substantially equivalent coverage during such period.

(f) No Impairment of Accrued Benefits. Nothing in this Agreement shall adversely affect Executive's right to receive any benefits earned prior to the date hereof under any employee benefit plan of Vishay, including, but not limited to, any pension profit sharing or deferred compensation plan, whether or not "qualified" under the Internal Revenue Code. All such benefits shall be paid to Executive in accordance with the terms of each plan in which Executive participates prior to the date hereof.

3. Acceleration of Payments. All amounts payable to Executive pursuant to Section 2(b)(ii) shall be accelerated and the entire balance shall become immediately due and payable upon written notice from Executive to Vishay upon the occurrence of any of the following events:

(a) Vishay defaults in its obligation to make payment when due of any of the installments provided for in Section 2(b)(ii), and fails to cure said payment default within thirty (30) days after receipt of notice thereof;

(b) Vishay declares itself bankrupt or insolvent under any federal or

state bankruptcy or insolvency law, or an involuntary petition in bankruptcy is filed against Vishay and is not withdrawn or dismissed within thirty (30) days of filing thereof; or

(c) A "Fundamental Change" has occurred, as defined in Section 4.09(a) of the indenture governing Vishay's 3-5/8% Convertible Subordinated Notes due 2003, as in effect on the date hereof (without giving effect, however, to the exclusions provided in the final clauses (i) and (ii) of such definition), and such Fundamental Change has not been approved by a majority of the "Continuing Directors" of Vishay, as defined Section 1.01 of such indenture.

4. Withholding Taxes. Vishay may withhold from all payments due to Executive under this Agreement all taxes which, by applicable federal, state, local or other law, Vishay is required to withhold therefrom.



5. Payments Upon Death. In the event of Executive's death, all unpaid amounts due to Executive under this Agreement shall be paid to Executive's surviving spouse or to Executive's estate if Executive has no surviving spouse in accordance with the terms of this Agreement, without acceleration, except as provided in Section 3.

6. Indemnification. Executive shall be indemnified by Vishay, to the fullest extent permitted under applicable law and Vishay's Certificate of Incorporation and By-laws as in effect on the date hereof, against reasonable expenses, including attorney's fees, actually and necessarily incurred by him in connection with the defense of any action, suit, investigation or proceeding or similar legal activity, regardless of whether criminal, civil or investigative in nature, to which he is made a party by reasons of his employment by Vishay. In addition, for a period of not less than six (6) years following the date hereof, Vishay shall use its commercially reasonable efforts to continue to include Executive as a named insured under Vishay's director and officer insurance policy for all periods during which Executive served or serves as a director or officer of Vishay or any of its subsidiaries with coverage at least equal to that applicable to directors and officers of Vishay and its subsidiaries generally.

7. Releases.

(a) Executive. In exchange for and in consideration of the promises, covenants and agreements set forth herein, and as a material inducement to Vishay to enter into this Agreement, Executive, for himself and his executors, administrators, heirs and assigns, unconditionally and forever releases and discharges Vishay, together with its past, present and future parents, subsidiaries (whether wholly- or partially-owned, direct or indirect), affiliates and divisions, and each of their respective past, present and future officers, directors, agents, employees, shareholders, predecessors, successors and assigns, in their respective capacities, as officers, directors, agents, employees, shareholders, predecessors, successors and assigns (in each case, where applicable, in both their personal and corporate capacities) (collectively, the "Company Released Persons"), jointly and severally, to the maximum extent permitted by law, from any and all Claims (as defined below) which any of them has or may have for any period up to and including the date hereof.

(b) Vishay. In exchange for and in consideration of the promises, covenants and agreements set forth herein, and as a material inducement to Executive to enter into this Agreement, Vishay, for itself and its respective past, present and future corporate parents, subsidiaries and controlled affiliates, unconditionally and forever releases and discharges Executive and his executors, administrators, heirs and assigns (collectively, the "Executive Covered Persons"), jointly and severally, to the maximum extent permitted by law, from any and all Claims (as defined below) which any of them has or may have for any period up to and including the date hereof.

(c) Claims. For purposes of this Section 7, "Claims" means any and all manner of claims, demands, causes of action, suits, judgments, executions, obligations, damages or liabilities whatsoever of every kind and nature, at law or in equity, known or unknown, suspected or unsuspected and whether or not discoverable, that Executive or Vishay now have, may have, or at any time had, against any Company Released Person or Executive Released Person. The foregoing notwithstanding, the term "Claims" does not include (i) any claims arising out of or

based upon this Agreement or the Consulting and Non-Competition Agreement, of even date herewith, between Vishay and Executive (the "Consulting Agreement"), (ii) any rights Executive may have to indemnification under Vishay's Certificate of Incorporation, By-laws, directors and officers liability insurance, this Agreement or the Consulting Agreement, or (iii) any claims arising out of criminal acts that as a matter of law cannot be released as against public policy.

(d) Unenforceability of Release. Upon a finding by a court of competent jurisdiction or arbitrator that a release or waiver of Claims provided for by this Section 7 is illegal, void or unenforceable, Vishay or Executive, as the case may be, may require the other party to promptly execute a release that is legal and enforceable, so long as said release does not expand the scope of the initial release found to be unenforceable.

8. Representation of Counsel; Reliance. Executive acknowledges and agrees that (i) Executive has had the opportunity to consult with and be advised by the attorneys of his choice prior to executing this Agreement, (ii) the signing of this Agreement by Executive is voluntary, (iii) Executive fully understands all of the provision of this Agreement, and (iv) in executing this Agreement, Executive does not rely on any representation or statement not set forth in this Agreement made by any representative of Vishay with regard to the subject matter, basis, or effect of this Agreement.

9. Miscellaneous.

(a) No Liability. In executing this Agreement, Executive and Vishay do not admit any liability or wrongdoing, and the considerations exchanged herein do not constitute an admission of any liability, error, contract violation or violation of any federal, state or local law, rule or regulation.

(b) Notices. Any notice, consent, request or other communication made or given in accordance with this Agreement shall be in writing and shall be sent either (i) by personal delivery to the party entitled thereto, (ii) by facsimile with confirmation of receipt, or (iii) by registered or certified mail, return receipt requested. The notice, consent request or other communication shall be deemed to have been received upon personal delivery, upon confirmation of receipt of facsimile transmission, or, if mailed, three (3) days after mailing. Any notice, consent, request or other communication made or given in accordance with the Agreement shall be made to those listed below at their following respective addresses or at such other address as each may specify by notice to the other:

To Vishay:

Vishay Intertechnology, Inc.  
63 Lincoln Highway  
Malvern, Pennsylvania 19355  
Attention: Secretary  
Facsimile No.: (610) 889-2161

To Executive:

Avi Eden  
[Personal address omitted]

(c) Fees and Expenses. Each of the parties shall bear its own fees and expenses incurred in connection with the negotiation of this Agreement.

(d) Full Settlement. Vishay's obligation to make any payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which Vishay may have against Executive or others. In no event shall Executive be obligated to take any action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not Executive obtains other employment or compensation.

(e) Successors.

(i) This Agreement is personal to Executive and, without the prior written consent of Vishay, shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's heirs and legal representatives.

(ii) This Agreement shall inure to the benefit of and be binding upon Vishay and its successors and assigns.

(iii) Vishay shall require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of Vishay expressly to assume and agree to perform this Agreement in the same manner and to the same extent that Vishay would have been required to perform if no such succession had taken place. As used in this Agreement, "Vishay" shall mean both Vishay as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

(f) Complete Understanding; Amendment; Waiver. This Agreement constitutes the complete understanding between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, and no statement, representation, warranty or covenant has been made by either party with respect thereto except as expressly set forth herein. This Agreement shall not be altered, modified, amended or terminated except by a written instrument signed by each of the parties hereto. Any waiver of any term or provision hereof, or of the application of any such term or provision to any circumstances, shall be in writing signed by the party charged with giving such waiver. Waiver by either party hereto of any breach hereunder by the other party shall not operate as a waiver of any other breach, whether similar to or different from the breach waived. No delay on the part of Vishay or Executive in the exercise

of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by Vishay or Executive of any such right or remedy shall preclude other or further exercise thereof.

(g) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

(h) Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York applicable to agreements made and to be wholly performed within that State, without regard to the principles of conflicts of law.

(i) Further Assurances. Each of the parties hereto shall execute and deliver such documents, instruments and agreements and take such further actions as may be reasonably required or desirable to carry out the provisions of this Agreement and the transactions contemplated hereby, and each of the parties hereto shall cooperate with each other in connection with the foregoing.

(j) Titles and Captions. All Section titles or captions in this Agreement are for convenience only and in no way define, limit, extend or describe the scope or intent of any provision hereof.

(k) Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be deemed an original, and all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Severance and General Release Agreement as of the day and year first above written.

VISHAY INTERTECHNOLOGY, INC.

/s/ Felix Zandman

-----  
By: Felix Zandman  
Title: Chairman of the Board and  
Chief Executive Officer

EXECUTIVE:

/s/ Avi Eden

-----  
Avi Eden

## CONSULTING AND NON-COMPETITION AGREEMENT

This CONSULTING AND NON-COMPETITION AGREEMENT ("Agreement") is made and entered into as of November 4, 2003, by and between Vishay Intertechnology, Inc., a Delaware corporation ("Vishay"), and Avi Eden, an individual (the "Consultant").

## W I T N E S S E T H:

WHEREAS, Consultant was a member of the Board of Directors, a Vice Chairman of the Board of Directors and an Executive Vice President of Vishay;

WHEREAS, Vishay now desires to retain Consultant as a consultant to Vishay in such matters as shall from time to time hereafter be requested by Vishay, on the terms and conditions set forth herein;

NOW, THEREFORE, Vishay and Consultant, each intending to be legally bound, hereby mutually covenant and agree as follows:

## ARTICLE I

## Consultancy Engagement

1.1 Engagement. Vishay hereby engages Consultant to provide such advice to, and perform such consultative services for, Vishay as the parties may mutually agree (collectively, the "Services"), subject to Consultant's reasonable availability. Without limiting the foregoing, Consultant shall (i) provide advice to Vishay with respect to mergers and acquisitions and environmental matters and (ii) make himself available as reasonably requested by Vishay to provide assistance to Vishay, including testimony, in any action or proceeding to which Vishay or any subsidiary is or may become a party.

1.2 Term. The term of this Agreement shall commence on the date hereof (the "Commencement Date") and shall end on January 1, 2007 (the "Initial Term"). Thereafter, the term of this Agreement shall automatically be renewed for subsequent twelve (12) month periods, unless terminated by either party, by written notice to the other party, not less than thirty (30) days prior to the end of the then current term (each an "Additional Term," and, together with the Initial Term, the "Term"). This Agreement shall terminate upon Consultant's death or, if as a result of Consultant's permanent disability, Consultant is unable to perform the Services.

1.3 Performance. During the Term, Consultant shall take such actions as are reasonably necessary to provide the Services consistent with his engagement as set forth in Section 1.1 hereof; provided, however, Consultant may engage in outside business activities so long as such activities would be permitted by Section 3.1.

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1.4 Independent Contractor Status. Consultant shall perform the Services under this Agreement as an independent contractor and not as an employee of Vishay. Except to the extent set forth in Article II hereof, Consultant shall not be entitled to social security, unemployment or other benefits made available to employees of Vishay.

## ARTICLE II

## Remuneration

## 2.1 Consulting Fee.

(a) From the Commencement Date until December 31, 2003, as consideration for Consultant's agreement to provide the Services pursuant to this Agreement, Vishay shall pay Consultant a consulting fee equal to the base salary (including benefits) that would have otherwise been payable to Consultant during such period had he remained an employee of Vishay.

(b) Commencing January 1, 2004, and for the remainder of the Term, as consideration for Consultant's agreement to provide the Services pursuant to this Agreement, Vishay shall pay Consultant a consulting fee of \$1,700 per day for any day (or a pro-rated portion thereof for any partial day) during which Consultant provides the Services, payable in accordance with Vishay's regular payroll practices; provided, however, that Vishay shall pay Consultant a minimum non-refundable fee of \$100,000 per annum, such minimum fee to be payable in full on January 2 of each calendar year during the Term, to be credited towards the daily fee otherwise payable to Consultant during such calendar year under this Section 2.1.

2.2 Insurance. During the Term, Consultant and his spouse shall be entitled to participate in his current medical insurance plan. In the event Consultant and his spouse shall not be eligible for coverage under such plan pursuant to contractual terms with a third party insurance provider, Consultant and his spouse, at Consultant's option, may participate in any medical insurance plan available to Vishay's senior executives (including any self-insurance plan) or in any other medical insurance plan available to Vishay's United States employees generally, in each case for which Consultant is eligible, provided that Consultant's participation in such other plan is not more expensive to

Vishay.

2.3 Stock Options. Consultant shall be considered to be an Employee of Vishay until the end of the Term for purposes of all stock options heretofore granted or awarded to Consultant, whether vested or unvested, under Vishay's 1997 Stock Option Program, 1998 Stock Option Program or otherwise.

2.4 Automobile Lease. Consultant shall be permitted to use the BMW automobile which Vishay has leased for Consultant's use, and Vishay shall pay or reimburse Consultant for all expenses related thereto, until the lease expires, at which time Consultant shall immediately return such automobile to Vishay.

2.5 Access to Facilities and Employees. During the Term, Consultant may make use of Vishay's facilities and of the time and services of Vishay's employees, in each case as the Company shall determine.

2.6 Reimbursement of Expenses. Vishay shall reimburse Consultant, for such reasonable and documented out-of-pocket expenses as may be incurred by Consultant during the Term in providing the Services; provided, however, that Consultant shall not be entitled to reimbursement of first class airfare.

2.7 Indemnification. Consultant shall be indemnified by Vishay against reasonable expenses, including attorney's fees, actually and necessarily incurred by him in connection with the defense of any action, suit, investigation or proceeding or similar legal activity, regardless of whether criminal, civil, administrative or investigative in nature, to which he is made a party by reason of his then providing or having provided Services to Vishay hereunder; provided, however, that no indemnification shall be provided in respect of any matter as to which (i) Consultant shall have been finally adjudicated in any proceeding not to have acted in good faith in the reasonable belief that his action was in, or not opposed to, the best interests of Vishay, and with respect to any criminal action or proceeding, as to which Consultant had reasonable cause to believe that his conduct was unlawful or (ii) Consultant's action or inaction constituted gross negligence or willful misconduct. Such right of indemnification will not be deemed exclusive of any other rights to which Consultant may be entitled under Vishay's Certificate of Incorporation or By-laws, as in effect from time to time, any agreement or otherwise. Vishay shall (upon receipt by Vishay of an undertaking by or on behalf of the Consultant to repay the expenses described in this Section 2.7 if it shall ultimately be determined that he is not entitled to be indemnified by Vishay against such expenses) pay reasonable expenses, including attorney's fees, incurred by Consultant in defending any threatened, pending or completed action, suit or proceeding or appearing as a witness at a time when he has not been named as a defendant or respondent with respect thereto in advance of the final disposition of any such action, suit or proceeding.

2.8 Withholding Taxes. Vishay may withhold from all payments due to Consultant under this Agreement all taxes which, by applicable federal, state, local or other law, Vishay is required to withhold therefrom.

### ARTICLE III

#### Restrictive Covenants

3.1 Non-Competition. During the Term and for two years following the termination of this Agreement, Consultant shall not, without the prior written consent of the Company, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, including as an officer, director,



employee, independent contractor, subcontractor, stockholder, member, manager, partner, principal, consultant, advisor, agent, proprietor, trustee or investor, any Competing Business (as defined below); provided, however, that nothing in this Agreement shall prevent Consultant from (A) owning five percent (5%) or less of the stock or other securities of a publicly held corporation, so long as Consultant does not in fact have the power to control, or direct the management of, and is not otherwise associated with, such corporation, or (B) performing Services for an investment bank, investment advisor or investment fund that may, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, any Competing Business, provided that Consultant shall not, directly or indirectly, have any responsibility whatsoever for, provide any services whatsoever to, or otherwise be connected or associated with such Competing Business. Notwithstanding the foregoing, if a company has separate divisions or subsidiaries, some of which conduct a Competing Business and some of which conduct other businesses which are not Competing Businesses, then the restrictions imposed hereunder with respect to Competing Businesses shall apply only to the divisions or subsidiaries of such company that conduct the Competing Businesses, provided that (A) Consultant shall not, directly or indirectly, have any responsibility whatsoever for, provide any services whatsoever to, or otherwise be connected or associated with any Competing Business of the same company, and (B) Consultant obtains the prior written consent of the Company, which consent shall not be unreasonably withheld. As used in this Section 3.1, "Competing Business" means any business or venture located anywhere in the world that is engaged in the manufacture and supply of passive and discrete active electronic components and/or strain gages, strain gage transducers or strain gage instrumentation to the extent Vishay or any subsidiary of Vishay is engaged in such activities on the Commencement Date.

3.2 Non-Solicitation. During the Term and for two years following the termination of this Agreement, Consultant shall not, directly or indirectly solicit for employment, or recruit any person who at the relevant time is an officer, director, employee, independent contractor, subcontractor, manager, partner, principal, consultant, or agent of Vishay or any of its subsidiaries or affiliates, or induce or encourage any of the foregoing to terminate their employment, contractual or other relationship (as appropriate) with Vishay or any of its subsidiaries or affiliates, or attempt to do any of the foregoing either on Consultant's own behalf or for the benefit of any third person or entity.

3.3 Confidential Information. Consultant agrees that he shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person, other than in the course of providing the Services hereunder and for the benefit of Vishay, either during the Term or at any time thereafter, any nonpublic, proprietary or confidential information, knowledge or data relating to Vishay, any of its subsidiaries, affiliated companies or businesses, which shall have been obtained by Consultant during Consultant's prior employment by Vishay or during the Term. The foregoing shall not apply to information that (i) was known to the public prior to its disclosure to Consultant; (ii) becomes known to the public subsequent to disclosure to Consultant through no wrongful act of Consultant or any representative of Consultant; or (iii) Consultant is required to disclose by applicable law, regulation or legal process (provided that Consultant provides Vishay with prior notice of the contemplated disclosure and reasonably cooperates with Vishay at its expense in seeking a protective order or other appropriate protection of such information). Notwithstanding clauses (i) and (ii) of the preceding sentence,

Consultant's obligation to maintain such disclosed information in confidence shall not terminate where only portions of the information are in the public domain.

3.4 Non-Disparagement. Each of Consultant and Vishay (for purposes hereof, Vishay shall mean only the executive officers and directors thereof and not any other employees) agrees not to make any public statements that disparage the other party or, in the case of Vishay, its respective affiliates, employees, officers, directors, products or services. Notwithstanding the foregoing, statements made in the course of sworn testimony in administrative, judicial or arbitral proceedings (including, without limitation, depositions in connection with such proceedings) shall not be subject to this Section 3.4.

3.5 Acknowledgements Respecting Restrictive Covenants.

(a) Consultant has carefully read and considered the provisions of this Article III and, having done so, agrees that:

(i) the restrictive covenants contained in this Article III, including, without limitation, the scope and time period of such restrictions, are reasonable, fair and equitable in light of Consultant's duties and responsibilities under this Agreement and the benefits to be provided to him under this Agreement; and

(ii) such restrictive covenants are reasonably necessary to protect the legitimate business interests of Vishay.

(b) The parties acknowledge that it is impossible to measure in money the damages that will accrue to one party in the event that the other party breaches any of the restrictive covenants contained in this Article III and that any such damages, in any event, would be inadequate and insufficient. Therefore, if one party breaches any restrictive covenant contained in this Article III, the non-breaching party shall be entitled to an injunction restraining the breaching party from violating such restrictive covenant; provided, however, that a party must provide the other party with not less than five (5) days written notice prior to instituting an action or proceeding to enforce any restrictive covenant contained in this Article III. If the non-breaching party shall institute any action or proceeding to enforce a restrictive covenant contained in this Article III, the breaching party hereby waives, and agrees not to assert in any such action or proceeding, the claim or defense that the non-breaching party has an adequate remedy at law.

(c) In the event of a breach of any of the restrictive covenants contained in this Article III, the parties agree that the non-breaching party, in addition to any injunctive relief as described in Section 3.5(b), shall be entitled to any other appropriate legal or equitable remedy.

(d) If any of the restrictive covenants contained in this Article III are deemed by a court of competent jurisdiction to be unenforceable by reason of their extent, duration or geographical scope or otherwise, the parties contemplate that the court shall revise such extent, duration, geographical scope or other provision but only to the extent required in order to render such restrictions enforceable, and enforce any such restriction in its revised form for all purposes in the manner contemplated hereby.

3.6 Consideration. Each of the covenants of this Article III is given by Consultant as part of the consideration for this Agreement and as an inducement to Vishay to enter into this Agreement and accept the obligations hereunder.

#### ARTICLE IV

##### Miscellaneous

4.1 Survival. Notwithstanding anything to the contrary herein, Section 2.6 ("Indemnification"), Article III ("Restrictive Covenants") and Article IV ("Miscellaneous") of this Agreement shall survive termination of this Agreement for any reason whatsoever.

4.2 Notices. Any notice, consent, request or other communication made or given in accordance with this Agreement shall be in writing and shall be sent either (i) by personal delivery to the party entitled thereto, (ii) by facsimile with confirmation of receipt, or (iii) by registered or certified mail, return receipt requested. The notice, consent request or other communication shall be deemed to have been received upon personal delivery, upon confirmation of receipt of facsimile transmission, or, if mailed, three (3) days after mailing. Any notice, consent, request or other communication made or given in accordance with the Agreement shall be made to those listed below at their following respective addresses or at such other address as each may specify by notice to the other:

To Vishay:

Vishay Intertechnology, Inc.  
63 Lincoln Highway  
Malvern, Pennsylvania 19355  
Attention: Secretary  
Facsimile No.: (610) 889-2161

To Consultant:

Avi Eden  
[Personal address omitted]

4.3 Successors.

(a) This Agreement is personal to Consultant and, without the prior written consent of Vishay, shall not be assignable by Consultant otherwise than (i) to an affiliate of Consultant or (ii) by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Consultant's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon Vishay and its successors and assigns.

(c) Vishay shall require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of Vishay expressly to assume and agree to perform this Agreement in the same manner and to the same extent that Vishay would have been required to perform if no such succession had taken place. As used in this Agreement, "Vishay" shall mean both Vishay as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

4.4 Complete Understanding; Amendment; Waiver. This Agreement constitutes the complete understanding between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, and no statement, representation, warranty or covenant has been made by either party with respect thereto except as expressly set forth herein. This Agreement shall not be altered, modified, amended or terminated except by a written instrument signed by each of the parties hereto. Any waiver of any term or provision hereof, or of the application of any such term or provision to any circumstances, shall be in writing signed by the party charged with giving such waiver. Waiver by either party hereto of any breach hereunder by the other party shall not operate as a waiver of any other breach, whether similar to or different from the breach waived. No delay on the part of Vishay or Consultant in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by Vishay or Consultant of any such right or remedy shall preclude other or further exercise thereof.

4.5 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

4.6 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York applicable to agreements made and to be wholly performed within that State, without regard to the principles of conflicts of law.

4.7 Titles and Captions. All Section titles or captions in this Agreement are for convenience only and in no way define, limit, extend or describe the scope or intent of any provision hereof.

4.8 Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be deemed an original, and all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Consulting and Non-Competition Agreement as of the day and year first above written.

VISHAY INTERTECHNOLOGY, INC.

/s/ Felix Zandman

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By: Felix Zandman  
Title: Chairman of the Board and  
Chief Executive Officer

CONSULTANT:

/s/ Avi Eden

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Avi Eden

## SUBSIDIARIES OF THE REGISTRANT

Note: Names of Subsidiaries are indented under name of Parent. Directors' or other shares required by statute in foreign jurisdictions and totaling less than 1% of equity are omitted.

Name	Jurisdiction	Percentage of Equity
Vishay Americas, Inc.	Delaware	100%
Vishay Cera-Mite Inc.	Wisconsin	100%
Vishay EFI, Inc.	Rhode Island	100%
Vishay Infrared Components Inc.	California	100%
Yosemite Investment, Inc.	Indiana	100%
North American Capacitor Company Indiana LLC	Indiana	100%
North American Capacitor Company Kentucky LLC	Indiana	100%
Vishay Intertechnology Asia PTE Ltd.	Singapore	100%
Vishay Japan K.K.	Japan	100%
Vishay Hong Kong Ltd.	Hong Kong	100%
Vishay Korea Co. Ltd.	Korea	100%
Vishay Taiwan	Taiwan	100%
Vishay Pte. Ltd.	Singapore	100%
BCcomponents Taiwan Limited	Taiwan	100%
Vishay Temic Semiconductor Acquisition Holding Corporation	Delaware	100%
Siliconix, Inc.	Delaware	80.4%
Siliconix Technology C.V.	Netherlands	100%
Siliconix Technology B.V.	Netherlands	100%
Siliconix Israel Ltd.	Israel	100%
Shanghai Simconix Electronic Company Ltd.	China	95.4%
Siliconix Ltd.	England	100%
Siliconix Taiwan Ltd.	Taiwan	100%
Siliconix, Ltd. Taiwan	Taiwan	100%
Vishay Pte. Ltd. Singapore	Singapore	100%
Vishay Siliconix, LLC	Delaware	100%
Siliconix Sales Corp.	U.S. Virgin Islands	100%
Siliconix Semiconductor, Inc.	Delaware	100%
General Semiconductor, Inc.	Delaware	100%
General Semiconductor International Corp.	New York	100%
General Semiconductor Japan, Ltd.	Japan	50% by General Semiconductor International, 50% by General Semiconductor Inc.
ATC Corp.	Delaware	100%
Century Components Inc.	Delaware	100%
General Semiconductor PSD (China) Holdings, Inc.	Delaware	100%
General Semiconductor (China) Co., Ltd.	China	100%
GSI-General Semiconductor Ireland	Ireland	100%
GSI-General Semiconductor (Europe) Ltd.	Ireland	100%
General Semiconductor of Taiwan, Ltd.	Taiwan	100%
General Semiconductor Korea Co., Ltd.	Korea	100%
General Semiconductor France S.A.	France	100%
General Semiconductor (Singapore) Pte. Ltd.	Singapore	100%
General Semiconductor Hongkong Ltd.	Hong Kong	100%

## SUBSIDIARIES OF THE REGISTRANT, continued

Name	Jurisdiction	Percentage of Equity
General Semiconductor (UK) Ltd.	United Kingdom	100%
General Instrument Europe, N.V.	Netherlands	100%
General Semiconductor (Deutschland) GmbH	Germany	100%
Vishay BCcomponents Holdings Ltd.	Delaware	100%
BCcomponents Holdings B.V.	Netherlands	100%
BCcomponents Lux Sarl	Luxembourg	100%
BCcomponents Holdings (Netherlands) B.V.	Netherlands	100%
BCcomponents B.V.	Netherlands	100%
BCcomponents International B.V.	Netherlands	100%
BCcomponents SAS	France	100%
BCcomponents Estate NV	Belgium	100%
BCcomponents NV	Belgium	100%
BCcomponents UK Ltd	United Kingdom	100%
Valen Ltd.	Hong Kong	100%
BCcomponents Shanghai Company, Ltd	China	95.8%
BCcomponents South Europe SRL	Italy	100%
Vishay Components India Pvt Ltd	India	100%
BCcomponents Hong Kong Ltd.	Hong Kong	100%
BCcomponents China Ltd	Hong Kong	100%
BCcomponents Singapore Pte Ltd.	Singapore	100%
BCcomponents Trading (Shanghai) Co. Ltd	China	100%
Nippon Vishay, K.K.	Japan	100%
Vishay F.S.C., Inc.	Barbados	100%
Vishay VSH Holdings, Inc.	Delaware	100%
Vishay Roederstein Electronics, Inc.	Delaware	100%
Vishay Measurements Group, Inc.	Delaware	100%

Vishay Transducers Ltd.	Delaware	100%
JP Technologies Inc.	Illinois	100%
Sensortronica de Costa Rica, S.A.	Costa Rica	100%
Vishay BLH Inc.	Delaware	100%
Pharos De Costa Rica S.A.	Costa Rica	100%
Celtron Technologies, Inc.	Taiwan	100%
High Goals Investments Limited	British Virgin Islands	100%
Billion Way Industrial Limited	Samoa	100%
UCC Investment Co. Ltd.	Samoa	100%
Triumph Electronics (Shanghai) Ltd.	China	100%
Celtron Technologies (U.S.A.) Inc.	California	100%
Celtron Technologies (Tianjin) Inc.	China	68% by Celtron U.S.A., 32% by UCC Investment
Vishay Israel Limited	Israel	100%
Z.T.R. Electronics Ltd.	Israel	100%
Vishay International Trade Ltd.	Israel	100%
Dale Israel Electronics Ltd.	Israel	100%
Draloric Israel Ltd.	Israel	100%
V.I.E.C. Ltd.	Israel	100%
Vishay Advance Technology, Ltd.	Israel	100%
Vilna Equities Holding, B.V.	Netherlands	100%

SUBSIDIARIES OF THE REGISTRANT, continued

Name	Jurisdiction	Percentage of Equity
Measurements Group (U.K.) Ltd.	England & Wales	100%
Vishay Europe GmbH	Germany	85.9% by Vishay Israel; 13.1% by Vishay; 1% by Dale
BCcomponents Austria GmbH	Austria	100%
BCcomponents Holding GmbH	Germany	100%
BCcomponents Beyschlag GmbH	Germany	100%
BCcomponents Vertriebs GmbH	Germany	100%
Vishay Electronic GmbH	Germany	100%
Roederstein Electronics Portugal Lda.	Portugal	100%
ECOMAL Deutschland GmbH	Germany	100%
Grupo Da Medidas Iberica S.L.	Spain	100%
ECOMAL Schweiz A.G.	Switzerland	100%
ECOMAL Austria Ges.mbh	Austria	100%
Klevestav-Roederstein Festigheter AB	Sweden	50%
Vishay Components, S.A.	Spain	100%
ECOMAL Nederland BV	Netherlands	100%
ECOMAL Belgium N.V.	Belgium	100%
ECOMAL Denmark A/S	Denmark	100%
ECOMAL Finland OY	Finland	100%
ECOMAL France S.A.	France	100%
ECOMAL S.r.O.	Czech Republic	100%
ECOMAL UK	England	100%
Okab Roederstein Finland OY	Finland	44.4%
Rogin Electronic S.A.	Spain	33%
Roederstein-Hilfe-GmbH	Germany	100%
Vishay Electronic SPOL S RO	Czech Republic	100%
Vishay S.A.	France	99.8%
Ultronix, Inc.	Delaware	100%
Vishay Thin Film, Inc.	New York	100%
Vishay Techno Components Corp.	Delaware	100%
Tedea-Huntleigh B.V.	Netherlands	100%
Tedea-Huntleigh International Ltd	Israel	100%
T-H Technology Ltd	Israel	100%
Vishay Measurements Group France, S.A.	France	100%
T-H Industrial Properties Ltd	Israel	100%
Tedea-Huntleigh Europe Ltd	England	100%
Tedea-Huntleigh Sensortechnik GmbH	Germany	100%
Tedea-Huntleigh, Inc.	California	100%
Beijing Tedea-Huntleigh Electronics Co. Ltd	China	100%
E-Sil Components Ltd.	England & Wales	100%
Vishay Roederstein Limited	England	100%
Vitramon Limited	England	100%
Vishay Ltd.	England & Wales	100%
Spectrol GmbH	Germany	100%
Grued Corporation	Delaware	100%
Con-Gro Corp.	Delaware	100%
Gro-Con, Inc.	Delaware	100%



SUBSIDIARIES OF THE REGISTRANT, continued

Name	Jurisdiction	Percentage of Equity
Angstrohm Precision, Inc.	Delaware	100%
Angstrohm Holdings, Inc.	Delaware	100%
Sfernice, Ltd.	England & Wales	100%
Heavybarter, Unlimited	England & Wales	100%
Dale ACI Components	England	100%
Vishay Nobel AB	Sweden	100%
AB Givareteknik	Sweden	100%
Vishay Nobel Ltd.	England	100%
Vishay Nobel Oy AB	Finland	100%
Vishay Nobel SARL	France	100%
Vishay Nobel AS	Norway	100%
Measurements Group GmbH	Germany	100%
Facility Services, GmbH	Germany	50%
Vishay Semiconductor GmbH	Germany	100%
Vishay Semiconductor Itzehoe GmbH	Germany	100%
Vishay (Phils.) Inc.	Philippines	100%
Vishay Semiconductor GES.M.B.H.	Austria	100%
Shanghai Vishay Discrete Semiconductors Ltd.	China	100%
Shanghai Vishay Opto Semiconductors Ltd.	China	100%
Vishay Hungary	Hungary	100%
Vishay Semiconductor Malaysia Sdn Bhd	Malaysia	100%
Vishay Dale Holdings, Inc.	Delaware	100%
Vishay Dale Electronics, Inc.	Delaware	100%
Components Dale de Mexico S.A. de C.V.	Mexico	100%
Electronica Dale de Mexico S.A. de C.V.	Mexico	100%
Vishay Electronic Components Asia Pte.,Ltd.	Singapore	100%
Vishay Bradford Electronics, Inc.	Delaware	100%
Vishay Angstrohm Precision, Inc.	Maryland	100%
Vishay Sprague Holdings Corp.	Delaware	100%
Vishay Service Center, Inc.	Massachusetts	100%
Vishay Sprague Sanford, Inc.	Maine	100%
Vishay Sprague, Inc.	Delaware	100%
Vishay Sprague Canada Holdings Inc.	Canada	100%
Sprague Electric of Canada Limited	Canada	100%
Sprague France S.A.	France	100%
Vishay Sprague Palm Beach, Inc.	Delaware	100%
Vishay Sprague Limited	England	100%
Vishay Tansitor Electronics, Inc.	Delaware	100%
Tansitor Barbados Limited	Barbados	100%
Vishay Acquisition Holdings Corp.	Delaware	100%
Vishay Vitramon, Inc.	Delaware	100%
Vishay Do Brazil Ltda.	Brazil	100%

## Consent of Independent Auditors

We consent to the incorporation by reference in the following registration statements of Vishay Intertechnology, Inc. and in the related Prospectuses of our report dated February 5, 2004, with respect to the consolidated financial statements of Vishay Intertechnology, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2003.

Registration Statement Number -----	Form ----	Description -----
33-7850	S-8	1986 Employee Stock Plan of Vishay Intertechnology, Inc.
33-7851	S-8	1986 Employee Stock Plan of Dale Electronics, Inc.
333-78045	S-8	1997 Stock Option Program and 1998 Employee Stock Option Program of Vishay Intertechnology, Inc.
333-68090	S-3/A	\$550,000,000 Liquid Yield Option Notes Due 2021
333-89614	S-3	6,191,166 Shares of Common Stock upon Conversion of General Semiconductor, Inc. 5.75% Convertible Notes due 2006
333-73496	S-8	Amended and Restated General Semiconductor, Inc. 1993 Long-Term Incentive Plan and General Semiconductor, Inc. Amended and Restated 1998 Long-Term Incentive Plan
333-52594	S-3/A	2,887,134 Common Shares and \$945,779,624 Other Securities
333-102507	S-3/A	Class A Warrants to Purchase 7,000,000 Shares of Common Stock; Class B Warrants to Purchase 1,823,529 Shares of Common Stock; 6,176,467 Shares of Common Stock Issuable Upon Exchange of \$105,000,000 Floating Rate Unsecured Notes due 2102; and 8,823,529 Shares of Common Stock Issuable Upon Exercise of Class A Warrants and Class B Warrants
333-110259	S-3/A	\$500,000,000 Principal Amount of 3 5/8% Convertible Subordinated Notes Due 2023; and Shares of Common Stock Issuable Upon Conversion of \$500,000,000 Principal Amount of 3 5/8% Convertible Subordinated Notes due 2023.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania  
March 12, 2004

## CERTIFICATIONS

I, Dr. Felix Zandman, certify that:

1. I have reviewed this annual report on Form 10-K of Vishay Intertechnology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) [Intentionally omitted]
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 15, 2004

/s/ Dr. Felix Zandman

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 Dr. Felix Zandman  
 Chief Executive Officer

## CERTIFICATIONS

I, Richard N. Grubb, certify that:

1. I have reviewed this annual report on Form 10-K of Vishay Intertechnology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) [Intentionally omitted]
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 15, 2004

/s/ Richard N. Grubb,

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 Richard N. Grubb,  
 Chief Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Vishay Intertechnology, Inc. (the "Company") on Form 10-K for the year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dr. Felix Zandman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dr. Felix Zandman

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Dr. Felix Zandman  
Chief Executive Officer  
March 15, 2004

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Vishay Intertechnology, Inc. (the "Company") on Form 10-K for the year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard N. Grubb, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard N. Grubb

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Richard N. Grubb  
Chief Financial Officer  
March 15, 2004